

Company Registration No. 01190039 (England and Wales)

**SAFETY-KLEEN U.K. LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

MONDAY  
TUE



\*S8F2AHPK\*

SPE 30/09/2019 #118  
COMPANIES HOUSE

\*A8F6EEWG\*

A13 01/10/2019 #311  
COMPANIES HOUSE

7.10.19 156 FCS

# **SAFETY-KLEEN U.K. LIMITED**

## **COMPANY INFORMATION**

---

<b>Directors</b>	M Cawley P Mauguy A Griffith	(Appointed 5 January 2018)
<b>Secretary</b>	A Firth	
<b>Company number</b>	01190039	
<b>Registered office</b>	Profile West 950 Great West Road Brentford Middlesex TW8 9ES	
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH	

---

# **SAFETY-KLEEN U.K. LIMITED**

## **CONTENTS**

---

	<b>Page(s)</b>
Strategic report	1 - 5
Directors' report	6 - 7
Independent auditors' report	8 - 10
Income statement	11
Statement of financial position	12 - 13
Statement of changes in equity	14
Notes to the financial statements	15 - 38

---

# **SAFETY-KLEEN U.K. LIMITED**

## **STRATEGIC REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2018***

---

The directors present their Strategic Report for Safety-Kleen U.K. Limited ("the Company") for the year ended 31 December 2018. The Company is a limited liability company incorporated in the United Kingdom ("UK") and registered in England and Wales.

#### **Principal activities**

The Company's principal activity is the provision of surface treatment and chemical application services across a wide range of industrial segments, ranging from Automotive MRO (Maintenance, Repair & Overhaul), Metal Working and Transport to Manufacturing. This activity is undertaken through the Company's integrated network of 19 branches throughout the United Kingdom.

The Company generates revenue from the contracted servicing of its machines and industrial collections. These machines are predominantly owned by the Company or, in a limited number of cases, by the customer and are located at the customer's premises.

The machines are primarily used for surface cleaning (pre-washing, de-greasing, de-coating) and surface preparation (pre-washing, rinsing, drying, coating) of parts or tools. In addition, the Company organises the replacement or collection of the various solutions used, including mineral spirits, thinners and aqueous-based detergents.

The benefits for the customer are to reduce their compliance risks, maximise their productivity and deliver consistent levels of quality surface cleaning.

# SAFETY-KLEEN U.K. LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### Review of the business

The Company's key financial and other performance indicators during the year were as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000	Change %
Revenue	76,028	73,422	3.5
Operating profit	12,981	14,262	(9.0)
Profit for the year	16,008	15,669	2.2
Current assets	39,844	143,646	(72.3)
Current liabilities	35,897	12,519	186.7
Current liabilities as % of current assets	90.1%	8.7%	935.6
Average number of employees	581	551	5.4

Revenue increased by 3.5% during the year. This was primarily driven by strong growth in industrial collections of 9%. Growth in machine services has slowed to 1% during the year as a result of restructuring actions taken, and we expect machines service to be flat throughout 2019 due to uncertainty around Brexit and the impact on the British economy.

Other key operational performance metrics monitored by management are machine placements and pulls at new and existing customers, on-time service performance and number of machines overdue, average machine service interval and average machine service price, all measure at branch level by machine type.

The decline in operating profit is a result of increased machine service price driven by supplier increases from movements in oil, petrochemical and steel prices.

Current assets have reduced during 2018 due to the unwinding of amounts owed by parent undertakings. Management is satisfied with the current assets to current liabilities ratio the ability of the Company to cover its debts as they fall due.

The average number of employees during the year was 581 (2017: 551)

In addition, management monitor underlying EBITDA £18.5m (2017: £17.8m) (defined as earnings before interest, tax, depreciation, amortisation and exceptional items) and cash generation, comparing these against prior year and the annual budget.

# **SAFETY-KLEEN U.K. LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

### **Review of the business (continued)**

#### **Principal risks and uncertainties**

The Directors consider that the principal risks and uncertainties of the business can be broken down into external and internal factors as follows:

##### External factors

- *Competitive risks*

The Company faces a variety of small local competitors, mainly serving the automotive market sector, including used-oil collectors. However, the Company has a strong established customer base and offers an advanced machine portfolio serving a variety of customer applications. Its strong environmental reputation provides its customers with assurance that their collected waste is handled in strict accordance with necessary regulations.

- *Customer demand risks*

Customers may have less need for the Company's machines in the rapidly changing economic environment. In response to customer needs, the Company is investing in developing additional services to enhance and improve customer experience, including the collection of used-oil and other waste products, and the offer of other complementary services.

- *Regulatory risks*

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable to the industries in which the Company operates. Non-compliance could lead to fines, damage to reputation or in extreme cases, withdrawal of license to operate; to mitigate this risk the company works closely with local authorities and national regulatory bodies such as the Environment Agency to ensure full compliance.

- *Technological risks*

In order to meet growing environmental health and safety and manufacturing challenges, the technology of the equipment and chemistry used is becoming more sophisticated and is increasing the capital cost of the machines. However, the Company sees this as an opportunity and is working in the development of new machines to meet the requirements of industrial customers requiring more tailored solutions to meet their cleaning needs.

- *Change in price of oil and petrochemicals*

The Company is exposed to movements in oil and petrochemical prices for virgin solvent and vehicle fuel purchases, as well as the selling price of waste oil, which has an impact on the associated revenue stream.

# **SAFETY-KLEEN U.K. LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

- *Supply chain continuity and business interruption*

The Company sources parts washers and spray equipment cleaners from a small number of suppliers and maintains in-house production and refurbishment capability. A number of supply contracts are in place for waste recycling but the Directors consider that alternative suppliers are available in the event of severe service interruptions.

- *Economic environment risks*

The UK is set to leave the European Union during 31 October 2019. The resulting uncertainty in the UK macro-economic environment has put pressure on the Company's customer base. However, the Company mitigates its exposure to these risks by way of its broad customer base meaning it does not rely on a small number of customers, in addition to the diversity of its products and services.

### Internal factors

- *Health and safety risks*

The Directors attach great importance to training in order to minimise the risk of incidents. Furthermore, the branch infrastructure construction is designed to minimise these risks through the use of bunding around tanks, leak detection systems, and fire protection systems.

- *System failure risks*

All sales and customer information is held in a bespoke computer system managed by the group's Information Technology department. All data is backed up daily, with a second server mirroring the other, held off-site at a specialist third-party provider.

- *People risks*

Attracting, motivating, and retaining employees at all levels within the organisation is key to providing our clients with ongoing high levels of customer service. Accordingly, the company continues to invest in its workforce to drive a high-performance culture and ensure retention of key staff.

### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, liquidity risk and interest rate risk. The policies set by the Board of Directors of Shilton Midco 2 Limited, the Company's ultimate parent undertaking, are implemented by the group's Head Office Finance department which provides a centralised service for the provision of finance, and the management and control of liquidity, foreign exchange and interest rates.

Ultimately, the Company's funding is inter-related with that of the group of companies headed by Shilton Midco 2 Limited, whose funding arrangements are disclosed in the financial statements of Shilton Midco 2 Limited.

## **SAFETY-KLEEN U.K. LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

The Directors consider the Company's key strengths as follows:

- *Leading brand, unrivalled reputation*

The Company is recognised by industry leaders, in both the automotive and industrial sectors, as the market leader in the provision and servicing of parts cleaners, with a strong environmental and regulatory compliance reputation.

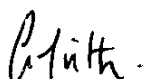
- *Service excellence, breadth of machine offering*

With over three decades of service, the Company has developed an advanced machine portfolio to serve a variety of customer applications.

The Company has continued to grow its geographical presence in the UK through its extensive branch network. This means that local expertise is on hand to co-ordinate and administer best practice at a local level to meet the customer's needs

The Company is well-positioned as the leading partner to industrial and automotive customers in surface treatment and chemical application services. The Director's strategy is to increase its presence in chosen industrial segments whilst developing its range of products and services.

By order of the board



A Firth

**Secretary**

27 September 2019



# **SAFETY-KLEEN U.K. LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

---

The Directors present their report, together with the audited financial statements, of the Company for the year ended 31 December 2018.

#### **Results and dividends**

The results for the year are set out on page 11.

The company's profit for the financial year is £16,008,000 (2017: £15,669,000). A dividend payment of £142,493,000 (2017: £nil) was paid during 2018 in respect to the unwinding of Amounts owed by parent undertakings.

#### **Directors**

The directors of the Company who unless otherwise stated were in office during the year and up to the date of signing the financial statements were:

G Baldock	(Resigned 9 January 2018)
S Cramer	(Resigned 28 March 2018)
M Cawley	(Appointed 5 January 2018)
D Lee	(Resigned 19 June 2018)
P Mauguy	
A Griffith	

#### **Directors' indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

#### **Financial risk management**

Details of the financial risk management are set out within the Strategic Report.

#### **Research and development**

The Company is continually looking at ways to improve the service it provides to its customers through developments in equipment and materials, facilitated by the group's Research and Development resources.

#### **Disabled employees**

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

#### **Employee involvement**

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its.

#### **Independent auditors**

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at a general meeting.

# **SAFETY-KLEEN U.K. LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 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.

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.

### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

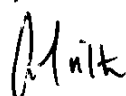
### **Going concern**

The company meets its day to day working capital requirements through its cash reserves and ordinary activities. The current economic conditions continue to create uncertainty, particularly over the level of demand for the Company's services. The Company's forecasts and projections, taking account of possible changes in trading performance, show that the Company will be able to operate with the level of its current cash reserves. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

### **Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that, so far as each of the directors is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



A Firth

**Secretary**

27 September 2019

# **SAFETY-KLEEN U.K. LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF SAFETY-KLEEN U.K. LIMITED**

---

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Safety-Kleen U.K. Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

# **SAFETY-KLEEN U.K. LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE MEMBERS OF SAFETY-KLEEN U.K. LIMITED**

---

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

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 year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

##### *Auditors' 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 auditors' 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.

# **SAFETY-KLEEN U.K. LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### **TO THE MEMBERS OF SAFETY-KLEEN U.K. LIMITED**

---

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

#### *Use of this report*

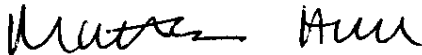
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other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

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Matthew Hall (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading

 September 2019

## SAFETY-KLEEN U.K. LIMITED

### INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

---

	Note	2018 £'000	2017 £'000
Revenue	4	76,028	73,422
Cost of sales		(45,760)	(43,451)
<b>Gross profit</b>		<b>30,268</b>	<b>29,971</b>
Administrative expenses		(14,040)	(14,013)
Non-underlying items	5	(3,247)	(1,696)
<b>Operating profit</b>	6	<b>12,981</b>	<b>14,262</b>
Interest receivable and similar income	10	1,331	1,407
<b>Profit before taxation</b>		<b>14,312</b>	<b>15,669</b>
Tax on profit	11	1,696	-
<b>Profit for the financial year</b>		<b>16,008</b>	<b>15,669</b>

---

The activities of the Company arise solely from continuing operations.

The Company had no recognised gains and losses other than those included in the results above and therefore no statement of other comprehensive income has been presented.

# SAFETY-KLEEN U.K. LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	13	2,542	2,546
Property, plant and equipment	14	16,233	14,987
Investments	15	3,244	3,241
		<u>22,019</u>	<u>20,774</u>
<b>Current assets</b>			
Inventories	16	3,194	2,605
Deferred tax asset	20	2,063	-
Trade and other receivables	17	33,189	137,807
Cash at bank and in hand		1,398	3,234
		<u>39,844</u>	<u>143,646</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	18	(31,535)	(8,227)
Taxation and social security		(2,303)	(2,112)
Deferred income	22	(2,059)	(2,180)
		<u>(35,897)</u>	<u>(12,519)</u>
<b>Net current assets</b>		<u>3,947</u>	<u>131,127</u>
<b>Total assets less current liabilities</b>		<u>25,966</u>	<u>151,901</u>
<b>Provisions for liabilities</b>			
Deferred tax liabilities	20	(367)	-
Other provisions	19	(968)	(252)
		<u>(1,335)</u>	<u>(252)</u>
<b>Net assets</b>		<u>24,631</u>	<u>151,649</u>
<b>Capital and reserves</b>			
Called up share capital	23	10	10
Retained earnings		24,621	151,639
<b>Total equity</b>		<u>24,631</u>	<u>151,649</u>

# **SAFETY-KLEEN U.K. LIMITED**

## **STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2018**

---

The notes on pages 15 to 38 are an integral part of these financial statements.

The financial statements on pages 11 to 38 were approved by the Board of directors and authorised for issue on 27 September 2019 and signed on its behalf by:



.....  
A Griffith

**Director**

27 September 2019

**Company Registration No. 01190039**



# SAFETY-KLEEN U.K. LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

---

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	10	135,970	135,980
	<hr/>	<hr/>	<hr/>
Profit for the financial year	-	15,669	15,669
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	15,669	15,669
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2017</b>	<b>10</b>	<b>151,639</b>	<b>151,649</b>
Effect of change in accounting policy	-	(533)	(533)
	<hr/>	<hr/>	<hr/>
As restated	10	151,106	151,116
	<hr/>	<hr/>	<hr/>
Profit for the financial year	-	16,008	16,008
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	16,008	16,008
Dividends	-	(142,493)	(142,493)
	<hr/>	<hr/>	<hr/>
Total transactions with shareholders		(142,493)	(142,493)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2018</b>	<b>10</b>	<b>24,621</b>	<b>24,631</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# **SAFETY-KLEEN U.K. LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

### **1 Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **1.1 General Information**

Safety Kleen U.K. Limited develops, refurbishes and services parts washing machines for metal working, transport, manufacturing and automotive industries. The company also provides waste collection services which include auto waste, waste oil and industrial waste. The company operates in the UK, but does provide machine sales to our international counterparts in Ireland, France, Belgium, Germany, Spain, China, Hong Kong, Portugal, Czech Republic, Slovakia and Italy.

The company is a private company and is incorporated and domiciled in the UK. The Address of its registered office is Profile West, 950 Great West Road, Brentford, Middlesex, TW8 9ES.

#### **1.2 Basis of preparation**

The financial statements of Safety Kleen U.K. Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced disclosure framework' ("FRS101"). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas, where assumptions and estimates are significant to the financial statements, are discussed in note 2.

The Company's ultimate parent undertaking, Shilton Midco 2 Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Shilton Midco 2 Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements in accordance with FRS101

- a Cash Flow Statement and related notes;
- comparative period reconciliations for tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel;
- certain disclosures required by IFRS 2 *Share-based Payment* in respect of the fair value of equity instruments;
- certain disclosures required by IFRS 3 *Business Combinations*;
- certain disclosures required by IFRS 5 *Non-current assets Held for Sale and Discounted Operations*;

As the consolidated financial statements of Shilton Midco 2 Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- disclosures required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;
- certain disclosures required by IFRS 3 *Business combinations* in respect of the business combinations by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

### 1.3 New standards, amendment and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018. The impact of IFRS 9 is a prior year increase to the provision bad debts £533k and a current year reduction of £180k (See note 17). There was no impact from IFRS 15. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2018 that have had an impact on the Company.

### 1.4 New standards, amendment and IFRIC interpretations not yet adopted

At the date of approval of these financial statements the following standards and interpretations were in issue but not yet effective or early adopted and subject to EU endorsement:

IFRS 16 'Leases' (effective for accounting periods commencing on or after 1 January 2019).

The adoption of IFRS 16's potential impact is currently being reviewed by management, Safety Kleen UK Limited carries mainly property and vehicles as operating leases and other items of plant and equipment.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies (Continued)

#### 1.5 Going concern

The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business. The directors believe that the adoption of the going concern basis in the preparation of the financial statements is appropriate as the directors of the group headed by Shilton Midco 2 Limited, of which the Company is a member, have confirmed that it will provide the necessary financial support for 12 months from the date of approval of these financial statements. In concluding on the going concern basis, the directors have also considered the financial position of the Shilton Midco 2 Limited group, further details of which are disclosed in the consolidated financial statements of Shilton Midco 2 Limited.

#### 1.6 Revenue

Revenue comprises the value of sales (excluding VAT and trade discounts) of goods and services provided in the normal course of business and is recognised in the following manner for each of the Company's principal activities:

Company owned machine servicing	– evenly over the period between services
Customer owned machine servicing	– at point of service
Waste services	– at point of service

Deferred revenue arising from Company owned machine servicing is included in trade payables and is released to the income statement in accordance with the revenue recognition policy stated above.

Accrued revenue arising from goods and services supplied but not yet invoiced is included in trade receivables and is released to the income statement when invoiced.

#### 1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected economic useful life at the following rates:

Freehold land and buildings	Freehold land is not depreciated; Buildings between 2.5% - 20%
Motor vehicles	10% – 20%
Machinery and equipment	4% – 20%
Equipment at customers	7% - 20%
Leasehold improvement	10%

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 recognised in the income statement.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.8 Intangible assets

Intangible assets comprise primarily capitalisation of software costs. Such assets are defined as having finite useful lives and the costs are amortised on a straight line basis over their estimated useful lives of 3 years.

Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired.

#### 1.9 Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

Goodwill arising on acquisitions before the date of transition to FRS101 has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

#### 1.10 Impairment of tangible and intangible assets

At each reporting end date, the Company tests its goodwill for impairment (as required) and also reviews the carrying amounts of its other tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.11 Inventories

Solvent, goods for resale, spare parts and accessories are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate. This cost is determined by standard cost valuation and a first in first out basis is applied on movement. Inventory costs only include raw material costs. Drums used as part of the machine service offering for the transportation and storage of solvents, as well as drums used in the collection of waste materials, are recognised as short life assets and recorded as inventory. The cost of these drums is then released to the profit and loss over a life of one year as an amortisation charge.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Bank interest accruing on capital borrowed to fund the production of long term contracts is carried forward within long term contract balances.

#### 1.12 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

#### 1.13 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.

#### 1.14 Trade and other receivables

Trade and other receivables represent the invoiced amount of sales of goods and services to customers for which payment has not been received (fair value), less allowance for doubtful accounts that is estimated based on the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables taking into account the current economic environment and other information.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of an intercompany loan and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the intercompany loan to the net carrying amount on initial recognition.

#### 1.15 Financial liabilities

The company recognizes financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

#### 1.16 Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.17 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 income statement 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 is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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 income statement, 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.

#### 1.18 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### 1.19 Employee benefits

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. Contributions are charged to the profit and loss account in the period to which they relate. The Company has no further payment obligations once the contributions have been paid

# **SAFETY-KLEEN U.K. LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

### **1 Accounting policies**

**(Continued)**

#### **1.20 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the assets at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, less any lease incentives received, are charged to the income statement 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 lease asset are consumed.

#### **1.21 Foreign exchange**

##### **a) Functional and presentation currency**

The items included in the financial statements are measured using sterling.

##### **b) Foreign exchange**

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

#### **1.22 Non-underlying Items**

The company presents as non-underlying items those items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow stakeholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assist clearer prediction of trends in financial performance.

### **2 Adoption of new and revised standards and changes in accounting policies**

The following following standards and amendments have been applied for the first time for their annual reporting period commencing 1 January 2018:-

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from contracts with customers'.

The group has amended its accounting policies following the adoption of the above standards and made retrospective adjustments following the adoption of IFRS 9 which is disclosed in note 17.



# **SAFETY-KLEEN U.K. LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

---

#### **3 Critical accounting estimates and judgements**

The preparation of financial statements in accordance with FRS101, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The following estimates and judgments are considered critical because actual results could differ materially from reported results if different assumptions underlying these estimates and judgments were used:

##### **Estimated impairment of goodwill and property, plant and equipment**

The Company tests annually whether goodwill has suffered any impairment in accordance with the requirements of IAS 36, Impairment of Assets. This requires an estimation of the fair value of the cash-generating units to which the intangible assets are allocated. Estimating the fair value amount requires management to make an estimate of the expected future cash flows from the cash-generating unit in the forecasted period and also to determine a suitable discount rate in order to calculate the present value of those cash flows. Our longer term forecasts are subject to a higher level of uncertainty as part of the growth needs to come from either new contracts or new products.

The useful economic life of property, plant and equipment should be reviewed at least each year end and revised where expectations are significantly different from previous estimates. The depreciation charge is then adjusted for current and future periods.

##### **Trade and customer finance receivables**

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are reviewed for adequacy in relation to current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the opening adjustment being made through comprehensive income was a increase of the bad debt provision by £533k. The impact of IFRS 9 in 2018 meant that there was a further adjustment at 31 December 2018 to reduce the provision by £180k to £1.95m (2017: £1.29m). The main influencing factors behind the net £353k increase in bad debt provisioning is the factoring in of credit risk to current aged debt in certain jurisdictions.

Credit risks for outstanding customer finance credits are regularly assessed as well, and allowances are recorded for estimated losses.

##### **Inventory provisioning**

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of materials.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 4 Revenue

#### Analysis of revenue by category:

	2018 £'000	2017 £'000
Machine service revenue	53,136	52,813
Collectable services	22,892	20,609
	<u>76,028</u>	<u>73,422</u>

Machine service revenue represents revenue earned on the servicing of machines owned by the Company and those owned by customers. Collectable services represents revenue earned at the point of service, i.e. industrial collection/recycling and also the sales of allied products.

#### Analysis of revenue by geography:

	2018 £'000	2017 £'000
United Kingdom	<u>76,028</u>	<u>73,422</u>

### 5 Non-underlying items

	2018 £'000	2017 £'000
Fair value adjustment on acquisition	-	883
Enterprise Resource Planning Project	-	434
Fair value adjustment on acquisition	-	314
New branch Cost	-	38
Acquisition fees	-	27
Property related costs	1,124	-
Reorganisation & restructuring costs	2,123	-
	<u>3,247</u>	<u>1,696</u>

#### Property related costs

Property costs arising from the closure of a branch where an onerous lease still exists and the costs incurred in opening a new branch.

#### Reorganisation & restructuring costs

Staff and other costs arising from company restructuring.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

<b>6</b>	<b>Operating profit</b>	<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
	Operating profit is stated after charging/ (crediting):		
	Foreign exchange differences	50	9
	Depreciation of property, plant and equipment (note 13)	2,021	1,831
	Loss on disposal of property, plant and equipment	57	74
	Amortisation of intangible assets (note 12)	4	6
	Operating lease expense	3,899	3,660
	Cost of inventories recognised as an expense	13,990	13,900
	Write downs of inventories to net realisable value	556	(124)
	Staff costs	22,153	21,734
	Impairment of investments (note 14)	-	300
	Impairment of trade receivables	421	1,619
	Auditors' remuneration	88	100

### **7 Auditors' remuneration**

The analysis of auditor's remuneration is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the Company's auditors' for the audit of the Company's annual financial statements	78	89
Fees payable to the Company's auditors' and their associates for other services to the group		
- the audit of the Company's subsidiaries	10	11
Total audit fees	88	100

## SAFETY-KLEEN U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 8 Employees

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

	2018 Number	2017 Number
Servicing of cleaning equipment and recycling	522	495
General and administration	59	56
	<u>581</u>	<u>551</u>

Their aggregate remuneration comprised:

Employment costs	2018 £'000	2017 £'000
Wages and salaries	19,282	19,037
Social security costs	2,101	2,033
Other pension costs	770	663
	<u>22,153</u>	<u>21,733</u>

#### 9 Directors' remuneration

The services of three Directors (2017: six) were paid for by Safetykleen Group Services Limited and are therefore included in the financial statements of Safetykleen Group Services Limited. It is not practical to allocate their remuneration amongst other companies within the group headed by Shilton Midco 2 Limited. Their remuneration is disclosed below:

	2018 £'000	2017 £'000
Remuneration for qualifying services	1,847	2,131
Company pension contributions to defined contribution schemes	73	103
	<u></u>	<u></u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £'000	2017 £'000
Remuneration for qualifying services	1,323	1,303
Company pension contributions to defined contribution schemes	-	72
	<u></u>	<u></u>

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from group companies	1,331	1,407

### 11 Tax on profit

	2018 £'000	2017 £'000
<b>Corporation tax</b>		
<b>Deferred tax</b>		
Deferred tax charge	1,060	
Origination and reversal of temporary differences	(2,756)	-
Total tax charge	(1,696)	-

The charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2018 £'000	2017 £'000
Profit before taxation on continued operations	14,312	15,669
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2017 - 19.25%)	2,719	3,016
<b>Taxation impact of factors affecting tax charge:</b>		
Expenses not deductible in determining taxable profit	17	69
Change in unrecognised deferred tax assets	-	402
Non qualifying asset	-	(16)
Group relief	(2,309)	(3,471)
Capital allowances in excess of depreciation	(407)	-
Other short term timing differences	1,040	-
Previously unrecognised deferred tax on capital allowances exceeding depreciation	(2,756)	-
Total adjustments	(4,415)	(3,016)
Tax charge for the year	(1,696)	-

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6th September 2017). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2018*

---

12	Dividends	2018 per share	2017 per share	2018 £'000	2017 £'000
	Amounts recognised as distributions to equity holders:				
	<b>Ordinary shares</b>				
	Final dividend paid	14,249.33	-	142,493	-

---

During the year the company paid a dividend of £142,493,000 (2017: £nil) representing £14,249.33 per share.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 January 2018	9,551	203	9,754
At 31 December 2018	9,551	203	9,754
<b>Accumulated amortisation</b>			
At 1 January 2018	7,012	196	7,208
Charge for the year	-	4	4
At 31 December 2018	7,012	200	7,212
<b>Carrying amount</b>			
At 31 December 2018	2,539	3	2,542
At 31 December 2017	2,539	7	2,546

Intangible assets include goodwill realised as a result of historic business acquisitions. The goodwill represents the purchase price paid for the business in excess of the fair value of the net identifiable assets.

Other intangible assets represent computer software licenses used in the day to day operations of the Company.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 14 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvement £'000	Motor vehicles £'000	Machinery and equipment £'000	Equipment at customers £'000	Total £'000
<b>Cost</b>						
At 1 January 2018	6,045	3,802	763	4,970	26,942	42,522
Additions	168	339	190	194	2,680	3,571
Disposals	-	(1)	(47)	(6)	(666)	(720)
At 31 December 2018	6,213	4,140	906	5,158	28,956	45,373
<b>Accumulated depreciation/impairment</b>						
At 1 January 2018	3,257	2,696	619	3,888	17,075	27,535
Charge for the year	144	177	39	287	1,374	2,021
Eliminated on disposal	-	(1)	(47)	(3)	(365)	(416)
At 31 December 2018	3,401	2,872	611	4,172	18,084	29,140
<b>Carrying amount</b>						
At 31 December 2018	2,812	1,268	295	986	10,872	16,233
At 31 December 2017	2,788	1,106	144	1,082	9,867	14,987

Included in the cost and net book amount of Freehold Land and Buildings is an amount of £916,000 (2017: £913,000) relating to freehold land, which is not depreciated.



# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 15 Investments

	Subsidiary undertakings £'000	Other investments £'000	Total £'000
<b>Cost</b>			
At 1 January 2018	5,120	84	5,204
Additions	3	-	3
Valuation changes	-	-	-
	-	-	-
Disposals	-	-	-
At 31 December 2018	5,123	84	5,207
<b>Impairment</b>			
At 1 January 2018	1,963	-	1,963
Impairment losses	-	-	-
	-	-	-
Disposals	-	-	-
At 31 December 2018	1,963	-	1,963
<b>Carrying amount</b>			
At 31 December 2018	3,160	84	3,244
At 31 December 2017	3,160	84	3,244

The increase in investments relates to the final payment for Safety-kleen Parca Temizlik Hizmetleri Limited.

## SAFETY-KLEEN U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

#### 15 Investments

(Continued)

Details of the Company's direct subsidiary undertakings and other investments at 31 December 2018 are as follows:

Company Name	Registered Address	Shares held	Proportion held %
<b>Subsidiary undertakings</b>			
Technowash Limited	8 - 10 Standard Way Standard Way Business Park Northallerton DL6 2XE United Kingdom	Ordinary	100
Parts Wash Limited	Profile West 950 Great West Road Brentford, Middlesex TW8 9ES United Kingdom	Ordinary	100
Parts Wash U.K. Limited	Profile West 950 Great West Road Brentford, Middlesex TW8 9ES United Kingdom	Ordinary	100
Q.E.D. Chemical Solutions Limited	Profile West 950 Great West Road Brentford, Middlesex TW8 9ES	Ordinary	100
<b>Other investments</b>			
Safety Kleen CZ sro	Pobřežní 780/8 30100, PLZEŇ 1 Czech Republic	Ordinary	10
Safety-kleen Parca Temizlik Hizmetleri Ziyagökalp Mah Limited	Atatürk Cad 69/A Başakşehir İstanbul Turkey	Ordinary	2

## SAFETY-KLEEN U.K. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2018*

---

16	Inventories	2018 £'000	2017 £'000
	Raw materials	2,012	1,391
	Work in progress	651	1,268
	Finished goods and goods for resale	531	619
		<hr/>	<hr/>
		3,194	2,605
		<hr/>	<hr/>

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £113,000 (2017: £48,000).

## **SAFETY-KLEEN U.K. LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2018**

---

#### **17 Trade and other receivables**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	20,273	18,926
Less: Provision for bad and doubtful debts	(1,954)	(1,289)
	<hr/>	<hr/>
	18,319	17,637
Other receivables	69	15
Amounts owed by parent and fellow subsidiary undertakings	14,322	119,495
Prepayments and accrued income	479	660
	<hr/>	<hr/>
	<b>33,189</b>	<b>137,807</b>
	<hr/>	<hr/>

# **SAFETY-KLEEN U.K. LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2018**

### **17 Trade and other receivables**

**(Continued)**

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2018 and the corresponding historical credit losses experienced within this period.

On that basis, the opening adjustment being made through comprehensive income is an increase of £533k and the reduction to the provision at 31 December 2018 is £180k, resulting in a net increase of £353k. The main influencing factors behind the increase in bad debt provisioning is the factoring in of credit risk to current aged debt in certain jurisdictions.

#### **Significant Loans**

The Group undertook a loan rationalisation project during the year. This involved simplification of the intra group lending structure. The impact of is a significant reduction in the number of outstanding loans. These have been settled through dividends paid.

A loan of £Nil (2017: £21.1m) is owed by Safety Kleen Group Services Limited, which is repayable on demand and bears interest of the 3 month floating Libor rate plus a margin of 4.42%

A loan of £Nil (2017: £19.3m) is owed by Safety Kleen UK (Europe) Limited which is repayable on demand and bears interest at a fixed rate of 1.25%.

A loan of £Nil (2017: £1.4m) is owed by Safety Kleen UK (Europe) Limited which is repayable on demand and bears interest at a fixed rate of 1%.

A loan of £Nil (2017: £18m) is owed WP Safety Kleen Limited, which is repayable on 1st November 2024 and bears interest at a fixed rate of 1.5%.

A loan of £Nil (2017: £10.4m) is owed by WP Safety Kleen Limited which is repayable on demand and bears interest at a fixed rate of 1.25%.

A loan of £Nil (2017: £21.0m) is owed by WP Midco Limited which is repayable on demand and bears interest at a fixed rate of 1.5%.

A loan of £Nil (2017: £13m) is owed by WP Midco Limited which is repayable on demand and bears interest at a fixed rate of 1.25%.

A loan of £Nil (2017: £4m) is owed by Safety Kleen Group Services Limited which repayable on 1st November 2024 and bears interest at a fixed rate of 1.5%.

A loan of £Nil (2017: £0.4m) is owed by Safety Kleen Group Services Limited, which is repayable on demand and bears interest at a fixed rate of 1%.

A loan of £Nil (2017: £3.1m) is owed by Safety Kleen Europe Limited, which is repayable on demand and bears interest at a fixed rate of 1.25%.

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 18 Trade and other payables

	Current 2018 £'000	2017 £'000
Trade payables	4,161	4,304
Amounts due to subsidiary undertakings	25,002	1,795
Accruals	2,231	2,019
Other payables	141	109
	<u>31,535</u>	<u>8,227</u>

#### Significant loans

A loan of £25m is owed to Safety Kleen Group Services Limited, which is repayable on demand and bears interest of the 3 month floating Libor rate plus a margin of 4.42%

### 19 Other provisions

	2018 £'000	2017 £'000
Dilapidation provision	173	252
Onerous Lease	795	-
	<u>968</u>	<u>252</u>

These costs relate to a closed branch where the lease continues and repairs need to be made. The lease is expected to end in 2021.

### 20 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting year.

	Timing Differences £'000	Land & buildings £'000	Total £'000
Deferred tax liability at 1 January 2017 and 1 January 2018	-	-	-
<b>Deferred tax movements in current year</b>			
Previously unrecognised deferred tax on capital allowances exceeding depreciation	3,123	(367)	2,756
Charge to profit or loss	(1,060)	-	(1,060)
Deferred tax liability at 31 December 2018	-	(367)	(367)
Deferred tax asset at 31 December 2018	<u>2,063</u>	<u>-</u>	<u>2,063</u>

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 20 Deferred tax

(Continued)

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:

	2018 £'000	2017 £'000
Deferred tax liabilities	(367)	-
Deferred tax assets	2,063	-
	<u>1,696</u>	<u>-</u>

### 21 Defined contribution schemes

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.

The total costs charged to the income statement in respect of defined contribution plans is £770,000 (2017: £664,000).

### 22 Deferred income

	2018 £'000	2017 £'000
Arising from timing difference between service and invoice date	2,059	2,180

#### Analysis of deferred income

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2018 £'000	2017 £'000
Current liabilities	2,059	2,180

### 23 Called up share capital

	2018 £'000	2017 £'000
Ordinary share capital Issued and fully paid 10,000 (2017: 10,000) Ordinary shares of £1 each	10	10

# SAFETY-KLEEN U.K. LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 24 Operating leases commitments

Amounts recognised as an expense during the year are as follows:

	2018	2017 Restated
	£'000	£'000
Minimum lease payments under operating leases	3,630	3,515

The above prior year balance has been restated due to a prior year error.

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:

	Land and buildings		Other	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	1,294	1,227	2,105	2,401
Between two and five years	4,805	5,023	4,899	5,779
In over five years	6,096	6,048	-	62
	<u>12,195</u>	<u>12,298</u>	<u>7,004</u>	<u>8,242</u>

### 25 Contingent liabilities

Performance bonds with HM Revenue and Customs totalled £41,000 (2017: £6,000).

The Company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group companies. In addition the Company has issued an unlimited guarantee to the bank to support these group facilities.

The Company has given fixed and floating charges over certain of its assets in relation to debt facilities provided by lenders to the Group.

### 26 Capital commitments

	2018 £'000	2017 £'000
At 31 December 2018 and at 31 December 2017 the Company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	441	400



# **SAFETY-KLEEN U.K. LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

---

### **27 Ultimate parent undertaking and controlling party**

Safety-Kleen U.K. Limited is a limited company incorporated and domiciled in England and Wales.

The Company's immediate parent undertaking is WP Safety-Kleen Spain S.L., a Company incorporated in Spain.

Shilton Midco 2 Limited, a Company incorporated in the Cayman Islands, is the Company's ultimate parent undertaking and controlling party, and is the largest and the smallest group of which the Company is a member and for which consolidated financial statements are prepared. The consolidated financial statements of Shilton Midco 2 Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Group, headed by Shilton Midco 2 Limited, is a portfolio company of APAX IX GP Co limited funds (the "APAX IX funds") advised and managed by Apax Partners LLP, a private equity firm organised in Luxemburg.