For immediate release **29 May 2009**

Shieldtech plc (the "Company" or the "Group")

Results for the year ended 30 June 2008

Shieldtech plc, a specialist provider of products and services to the Homeland Security market, announces its results for the year ended 30 June 2008, the first financial year since it was admitted to AIM in July 2007.

Highlights

- Turnover of £6.0m
- Operating loss of £0.8m before amortisation of intangible fixed assets, share based payments and the charge for impairment of goodwill
- Anticipated disruption in UK market caused by the introduction of new standards for ballistic protection garments
- £1.8m order to supply a major overseas defence client
- Trading in the third quarter began to improve and the Group ended the year with the order book at a 2 year high
- Proposals for investment of new monies into the Group and refinancing of bank facilities also to be announced today and to be presented to Shareholders at the AGM

Tim Wightman, Chairman, commented:

"We are operating in an increasingly exciting market place. With a more secure financial base, the Board is confident that the Group will be able to capitalise on some exciting opportunities through innovation in our product range and our strengthened international sales network. We have laid the groundwork, internally and with key suppliers, to be ready to present new, innovative, cost effective solutions, to existing customers and to new prospects in the UK and overseas."

For more information please contact:

Shieldtech plc **Tel: +44 (0) 1925 840048**

Tony O'Neill, Chief Executive Officer

Robert Denton, Group Finance Director

Seymour Pierce **Tel: +44 (0) 20 7107 8000**

Nicola Marrin/Mark Percy

Buchanan Communications **Tel: +44 (0) 20 7466 5000**

Tim Anderson / Isabel Podda / Ben Romney

Chairman's Statement

The Group's first financial year since it was admitted to AIM in July 2007 has been a disappointment. Aegis Engineering Limited, the business we acquired at admission, suffered in the first half of the year from a weak demand in the UK. Activity levels generally across our market sector were slow owing to the introduction of new ballistic protection standards by the Home Office Scientific Development Branch ("HOSDB"). While we had anticipated some disruption in demand in the Admission Document, the publication of the new standards was delayed and subsequent testing by police forces of garments made to the new standards was more prolonged than we had expected. Consequentially police forces deferred placing orders. During this period we concentrated on achieving manufacturing and administrative efficiencies which led to improvements in gross margin.

In compensation for the weak demand in the UK, we were pleased to announce in February 2008 that Aegis had been awarded a major contract to supply a modular body armour system for a major overseas defence force. The contract had an initial value of £1.8m and further potential revenue of more than £3.0m. Trading in the third quarter began to improve and the momentum built up through the last quarter of the year. At the year end the order book was at a two year high.

Financial results

Revenue in the 12 months ended 30 June 2008 was £6.0m which compared to £11.5m reported by Aegis in the year before its acquisition. The Gross Profit was £2.0m, a gross margin of 33.1%. The Operating Loss before amortisation of intangible fixed assets, share based payments and the charge for impairment of goodwill was £0.8m. The acquisition of Aegis created substantial goodwill and, in the light of its trading performance in 2008 and its revised prospects for the current financial year, the Board determined it was appropriate to take an impairment charge of £8.8m. Including this figure, the Operating Loss for the year was £10.1m (2007: £0.1m). The Loss after tax was £10.0m (2007: £0.1m). The loss per share was 18.9 pence (2007: 0.2 pence).

The cash outflow from operations was £0.6m. In the last quarter of the financial year, our bank HSBC reduced the Group's overdraft facility without prior notice in response to the losses made in the year and the "credit crisis". We have since managed the Group's financial affairs robustly, particularly as regards working capital, and operated within the reduced facility. We are particularly grateful to our key suppliers who have assisted by permitting extensions to normal payment terms. At 30 June 2008 the Group had arranged extended payment terms with key suppliers, amounting to approximately £0.85m.

At the end of the year Total Shareholders' Equity was £1.8m (2007: deficiency £0.2m) and borrowings were £1.5m (2007: £nil). The Group did not exist in its current form or trade in the period to 30 June 2007.

Strategy

The Group's objective still remains as set out in 2007, to become a leading supplier of products and services for customers in the Homeland Security market. In particular, we believe that there are strong opportunities globally to provide high quality products to protect police and military personnel from the threats associated with gun and knife crime and armed conflicts. Aegis remains our core business. It has a strong share of the UK police market and has a developing track record of winning major tenders from the MOD and in export markets. The directors continue to believe that there will be attractive opportunities to grow organically and by acquisition. However, the Group's performance during the year has inevitably curtailed these plans for the time being and the priority now is to re-establish profitable organic growth. Although the global economic climate will make financing more difficult, we do not expect it to have a detrimental effect on the overall demand for our products.

Business development

We have made a number of significant improvements to our products during the year. In February 2008 we announced that Aegis had launched a new range of "chain-mail" composite body armour systems to add to its range of soft (aramid based) and hard shell systems. We continue to develop new body armour constructions which will address the issues of heat, flexibility and physical stress and so improve the comfort for wearers of body armour systems.

Following the introduction of the revised ballistic measurement standards by HOSDB, Aegis has developed and received accreditations for protection systems meeting 19 new or revised standards. These high standards are regarded as a bench-mark in many overseas markets. We have been experiencing an increasing overseas interest in our products and we will be putting more resources into developing overseas markets during 2009.

Funding

Since the year end, the Group has carried out a review of its structure and future capital needs and it has been in discussions with its bankers to secure appropriate facilities for its future working capital requirements which I am pleased to say have been satisfactorily resolved.

The Company proposes to raise £1.1 million, before expenses, by the issue of loan notes. It also proposes to issue warrants to subscribe for 20,625,000 ordinary shares at an exercise price of 6 pence per ordinary share. The issue of the loan notes and warrants is conditional on, inter alia, Shareholders' approval at the Annual General Meeting to be held on 22 June 2009.

It is proposed that the Company enter into a Loan Note Instrument to create £1,100,000 8% fixed rate secured loan notes 2011 and that these be issued to three individuals who have indicated their intention to make such investment. The loan notes will be secured by debentures granted by each company in the Group and by guarantees and indemnities granted by the subsidiary companies. The loan notes and the loan note securities will be subject to the terms of an intercreditor agreement and the loan notes will be subordinated to the Bank.

The warrants will be exercisable, in whole or in part, at any time following the date falling 6 months from the date of issue of the warrants. The warrants will lapse to the extent not exercised by the fifth anniversary of the date of issue. In the event of the full exercise of the warrants the new ordinary shares thereby created would represent 28.1% of the Company's enlarged share capital.

Conditional upon, among other things, completion of the loan note investment, the Bank has offered to provide bank facilities comprising a £250,000 sterling net overdraft facility and a £900,000 LIBOR term loan facility. The bank facilities will be secured by debentures granted by each company in the Group and by a composite guarantee to be entered into by each company in the Group. The bank facilities and the bank securities will be subject to the terms of an intercreditor agreement and will rank ahead of the loan notes and the loan note securities.

The Board

Glenn Hopkinson retired as a director of the company on 10 December 2008. Glenn joined Aegis in 2002 as Operations Director and led a management buy-out in 2004 with the incumbent management team, creating a partial exit for Aegis' founders. Shieldtech acquired Aegis in July 2007 at which time most of Aegis' directors left the business. Glenn agreed to remain for a transitional period and is now moving on to new and different challenges. The Board is grateful for Glenn's support and assistance since the acquisition and wishes him well for the future. Progressively since June Tony O'Neill, CEO, and Robert Denton, Group Finance Director, have assumed all operational and financial responsibilities.

Staff

The board is grateful for the efforts and contribution made by the entire Group's staff in what has been a difficult year.

Prospects

The Board expects an improved trading performance in the year to June 2009. The euro:£ exchange rate has a major impact on our material costs, however, as we believe it does for our competitors in the UK market and this has affected gross margins adversely. In response we have increased our selling prices as well as maintaining a tight control on overhead costs and expect to assist profitability.

It is expected that the contract for the supply of certain body armour systems for the Metropolitan Police will be put out to tender this autumn. Aegis is one of four companies qualified to participate in pre-tender discussions during which new products have been developed for review. The results of this tender may have an influence on the procurement strategies of other UK police forces, which will have the option of purchasing under the Metropolitan Police framework agreement or may choose to continue with their own framework agreements and contracts. Aegis is monitoring the situation carefully and expects to have products available to meet both eventualities.

With a more secure financial base, the Board is confident that the Group will be able to capitalise on some exciting opportunities. We have laid the groundwork, internally and with key suppliers, to be ready to present new, innovative, cost effective solutions, to existing customers and to new prospects in the UK and overseas.

T R Wightman

22 May 2009

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2008

	Notes	***year ended 30 June 2008 £'000***	*16 months ended 30 June 2007 £'000*
Revenue		**5,986**	**-**
Cost of sales		**(4,002)**	-
GROSS PROFIT		**1,984**	-
Administrative expenses			
amortisation of intangible fixed assets		**(264)**	-
share based payments		**(280)**	-
impairment of goodwill		**(8,808)**	**-**
other		**(2,743)**	(105)
Total administrative expenses		**(12,095**)	(105)
OPERATING LOSS		(**10,111)**	(105)
Finance costs		**(111)**	-
Finance income		**7**	1
LOSS BEFORE INCOME TAX		**(10,215)**	(104)
Income tax		**220**	-
LOSS FOR THE PERIOD		**(9,995)**	(104)

Loss per share attributable to the equity holders of the Company during the period

Basic and diluted earnings per share	4	**(18.94)p**	(0.20)p

BALANCE SHEETS
at 30 June 2008

Group

	Ordinary Share Capital *£'000*	Deferred Share Capital *£'000*	Share Premium Account *£'000*	Share Based Payment Reserve *£'000*	Retained Earnings *£'000*	Total Equity *£'000*
Balance at 28 February 2006	8,498	-	3,011	-	(11,557)	(48)
Loss for the period	-	-	-	-	(104)	(104)
Total recognised income and expense for the period	-	-	-	-	(104)	(104)
Balance at 30 June 2007	8,498	-	3,011	-	(11,661)	(152)
Balance at 30 June 2007	**8,498**	**-**	**3,011**	**-**	**(11,661)**	**(152)**
Loss for the period	**-**	**-**	**-**	**-**	**(9,995)**	**(9,995)**
Total recognised income and expense for the period	**-**	**-**	**-**	**-**	**(9,995)**	**(9,995)**
Share reorganisation	**(8,482)**	**8,482**	**-**	**-**	**-**	**-**
Issue of share capital						
- acquisition of Aegis group	**108**	**-**	**2,592**	**-**	**-**	**2,700**
- other	**403**	**-**	**9,672**	**-**	**-**	**10,075**
Share issue costs	**-**	**-**	**(1,075)**	**-**	**-**	**(1,075)**
Share based payment charge	**-**	**-**	**-**	**280**	**-**	**280**
Balance at 30 June 2008	**527**	**8,482**	**14,200**	**280**	**(21,656)**	**1,833**

BALANCE SHEETS
at 30 June 2008

Company	Ordinary Share Capital *£'000*	Deferred Share Capital *£'000*	Share Premium Account *£'000*	Share Based Payment reserve *£'000*	Retained Earnings *£'000*	Total Equity *£'000*
Balance at 28 February 2006	8,498	-	3,011	-	(11,659)	(150)
Loss for the period	-	-	-	-	(104)	(104)
Total recognised income and expense for the period	-	-	-	-	(104)	(104)
Balance at 30 June 2007	8,498	-	3,011	-	(11,763)	(254)
Balance at 30 June 2007	**8,498**	**-**	**3,011**	**-**	**(11,763)**	**(254)**
Loss for the period	**-**	**-**	**-**	**-**	**(9,893)**	**(9,893)**
Total recognised income and expense for the period	**-**	**-**	**-**	**-**	**(9,893)**	**(9,893)**
Share reorganisation	**(8,482)**	**8,482**	**-**	**-**	**-**	**-**
Issue of share capital						
- acquisition of Aegis group	**108**	**-**	**2,592**	**-**	**-**	**2,700**
- other	**403**	**-**	**9,672**	**-**	**-**	**10,075**
Share issue costs	**-**	**-**	**(1,075)**	**-**	**-**	**(1,075)**
Share based payment charge	**-**	**-**	**-**	**280**	**-**	**280**
Balance at 30 June 2008	**527**	**8,482**	**14,200**	**280**	**(21,656)**	**1,833**

BALANCE SHEETS
at 30 June 2008

		Group		*Company*	
		30 June 2008	*30 June 2007*	***30 June 2008***	*30June 2007*
	Notes	***£'000***	*£'000*	***£'000***	*£'000*
ASSETS					
NON-CURRENT ASSETS					
Property, plant & equipment		**207**	-	**-**	-
Goodwill	5	**2,000**	-	**-**	-
Other intangible assets		**1,056**	-	**-**	-
Investment in subsidiaries		**-**	-	**3,056**	-
		3,263	-	**3,056**	-
CURRENT ASSETS					
Inventories		**771**	-	**-**	-
Trade and other receivables		**1,715**	6	**7**	6
Current tax assets		**247**	-	**-**	-
Amounts owed by subsidiaries		**-**	-	**178**	-
		2,733	6	**185**	6
Total assets		**5,996**	6	**3,241**	6
LIABILITIES					
Non current liabilities					
Financial liabilities - borrowings		**678**	**-**	**650**	**-**
Deferred income tax liabilities		**14**	**-**	**-**	**-**
		692	-	**650**	-
Current liabilities					
Trade and other payables		**2,635**	147	**375**	147
Financial liabilities – borrowings		**836**	11	**383**	11
Amounts due to subsidiaries		**-**	-	**-**	102
		3,471	158	**758**	260
Total liabilities		**4,163**	158	**1,408**	260

BALANCE SHEETS
at 30 June 2008

EQUITY
Capital and reserves attributable to equity holders of the Company

	Notes	*Group* **30 June 2008 £'000**	*30 June 2007 £'000*	*Company* **30 June 2008 £'000**	*30 June 2007 £'000*
Share capital		**9,009**	8,498	**9,009**	8,498
Share premium account		**14,200**	3,011	**14,200**	3,011
Share-based payment reserve		**280**	-	**280**	-
Retained earnings		**(21,656)**	(11,661)	**(21,656)**	(11,763)
Total shareholders' equity		**1,833**	(152)	**1,833**	(254)
Total equity and liabilities		**5,996**	6	**3,241**	6

The Financial Statements were approved by the Board of Directors on 22 May 2009 and were signed on its behalf by:

Robert William Denton
Director

CASH FLOW STATEMENTS
for the year ended 30 June 2008

	Group		Company	
	year ended 30 June 2008 £'000	*16 months ended 30 June 2007 £'000*	***year ended 30 June 2008 £'000***	*16 months ended 30 June 2007 £'000*
Cash flows from operating activities				
Loss after taxation	**(9,995)**	**(104)**	**(9,893)**	(104)
Adjustments for				
Depreciation	**60**	**-**	**-**	-
Impairment of goodwill / investment in subsidiary	**8,808**	**-**	**5,842**	-
Provisions against intra group balances	**-**	**-**	**3,566**	-
Amortisation of intangible assets	**264**	**-**	**-**	-
Share-based payment charge	**280**	**-**	**280**	-
Finance costs	**111**	**-**	**70**	-
Finance income	**(7)**	**(1)**	**(283)**	(1)
Taxation credit recognised in income statement	**(220)**	**-**	**-**	-
Increase in trade and other receivables	**(444)**	**(3)**	**(1)**	(3)
Decrease in inventories	**126**	**-**	**-**	-
Increase in trade and other payables	**433**	**76**	**225**	76
Cash flows from operations	**(584)**	**(32)**	**(194)**	(32)
Income tax paid	**(444)**	**-**	**-**	-
Interest paid	**(106)**	**-**	**(67)**	-
Net cash outflow from operating activities	**(1,134)**	**(32)**	**(261)**	(32)
Cash flows from investing activities				
Interest received	**7**	**1**	**283**	1
Purchase of property, plant and equipment	**(33)**	**-**	**-**	-
Acquisition of subsidiaries	**(6,002)**	**-**	**(6,198)**	-
Amounts transferred to subsidiaries	**-**	**-**	**(3,846)**	-
Net cash used in investing activities	**(6,028)**	**1**	**(9,761)**	1
Cash flows from financing activities				
Proceeds from issue of share capital	**10,075**	**-**	**10,075**	-
Payment for share issue costs	**(1,075)**	**-**	**(1,075)**	-
New borrowings	**1,000**	**-**	**1,000**	-
Repayment of borrowings	**(2,950)**	**-**	**(150)**	-
Repayment of loan notes	**(467)**	**-**	**-**	-
Repayment of finance leases	**(23)**	**-**	**-**	-
Net cash received from financing activities	**6,560**	**-**	**9,850**	-
Net decrease in cash and cash equivalents	**(602)**	**(31)**	**(172)**	(31)
Cash and cash equivalents at beginning of period	**(11)**	**20**	**(11)**	20
Cash and cash equivalents at end of period	**(613)**	**(11)**	**(183)**	(11)

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

Shieldtech plc is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales. Shieldtech plc's shares are listed on the AIM market of the London Stock Exchange.

The address of its registered office and principal place of business is 5 Chesford Grange, Woolston, Warrington WA1 4RQ.

The consolidated financial statements of Shieldtech plc are presented in Pounds Sterling (£), which is also the functional currency of the parent. The principal activity of the Company is a holding company. The principal activities of its subsidiaries are described in Note 16.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Practice is continuing to evolve on the application and interpretations of IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and standards currently in issue and endorsed by the EU may be subject to interpretations issued by IFRIC.

IFRS, as adopted by the EU, differs in certain respects from IFRS as issued by the IASB. However, the consolidated financial statements for the period presented would be no different had the Group applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the detailed accounting policies below.

The financial statements have been prepared on a going concern basis under the historical cost convention. As described in the Chairman's Statement, the Group's trading loss in the period reflected weak demand in the UK following the introduction of new ballistic protection standards. Trading improved towards the end of the period and this improvement has been maintained since 30 June 2008. The Bank reduced the Group's overdraft facility in response to the trading loss and indicated its requirement for additional finance to be injected into the business in order to ensure the Bank's continued support. The Company has been engaged for some months in discussions with the Bank and other parties concerning an injection of additional finance into the business. Throughout this period the Bank has continued to provide working capital support to enable the discussions to be completed. It is proposed that the Company enter into a Loan Note Instrument to create £1,100,000 8% fixed rate secured loan notes 2011 and that these be issued to three individuals who have indicated their intention to make such investment. The issue of loan notes will further improve the Group's financial position and provide, with the Bank's ongoing support, the working capital required by the Group. The Bank has offered, conditional upon, among other things, completion of this investment, to provide new banking facilities to the Group. The investment is conditional upon the approval of the Shareholders at the forthcoming Annual General Meeting. At the date of this report these conditions have not yet been satisfied.

Subject to the satisfaction of these conditions, the Directors believe the Group will have sufficient funding to meet its debts as they fall due for a period of at least twelve months from the expected date of completion of the investment. If the conditions were not to be satisfied then the funding from the investors might not be forthcoming. For the reasons set out above this creates a material uncertainty over the ability of the Group to pay its debts as they fall due which casts significant doubt over the Group's ability to continue as a going concern. These financial statements do not include any adjustments that would result if the going concern basis of preparation was inappropriate.

2.2 Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group.

Unrealised gains on transactions within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Business combinations

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with Group accounting policies. Goodwill is stated after separating out identifiable intangible assets.

2.4 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets including separately identifiable intangible assets and contingent liabilities of the acquired subsidiary at the date of acquisition, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. Goodwill is tested annually for impairment.

Other intangible assets

Separately identifiable intangible assets are included at their fair value at the date of acquisition and amortised over their estimated useful lives, generally up to five years.

2.5 Property, plant and equipment

Property, plant and equipment are included at cost less accumulated depreciation and provision for impairment. No depreciation is charged during the period of construction or commissioning.

2.6 Depreciation

Depreciation is calculated to write down the cost, less any estimated residual value, of all property, plant and equipment on a straightline basis over their estimated useful economic lives as follows:

Long leasehold land and buildings	term of lease
Plant and machinery	up to 10 years
Other	up to 5 years

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

2.7 Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

2.8 Impairment testing of assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised where the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

2.9 Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payment plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments is charged to the income statement in constant proportion to the capital balance outstanding over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

2.10 Investments

Investments in subsidiary companies are included at cost less provision for impairment.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a FIFO basis and includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price less further costs to be incurred to completion and disposal.

2.12 Cash and cash equivalents

For the purposes of the cash flow statement cash and cash equivalents comprise cash in hand and demand deposits together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are also included as a component of cash and cash equivalents. For the purposes of the balance sheet cash and cash equivalents are cash on hand and deposits with banks and other financial institutions which are not restricted in its use. Bank overdrafts are included in borrowings in current liabilities.

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for any rebates and other similar allowances. Revenue on the outright sale of goods, where no supplier obligations remain, is recognised on despatch to the customer. Revenue from a contract to provide goods is recognised by reference to the stage of completion of the contract.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rates applicable.

2.14 Foreign currency

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the income statement.

2.15 Employee benefits

Pension contributions – defined contribution scheme

The Group makes pension contributions only to defined contribution schemes. These contributions are recognised in the income statement during the period in which they become payable. The group has no further payment obligations once the contributions have been paid.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the services received in exchange for the grant of the options and warrants is recognised as an expense in the income statement with a corresponding adjustment to equity. The total amount to be expensed over the vesting period, or on grant if there is no vesting period, is determined by reference to the fair value of the options and warrants granted using an appropriate pricing model.

2.16 Taxation

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

Current tax is the tax currently payable or receivable based on the taxable profit or loss for the period. The Group’s liability for current tax is calculated using tax laws and rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

2.17 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing goods or services (business segment), or in providing goods or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

2.18 Financial assets

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity as at fair value through profit or loss upon initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial assets originally designated as financial assets at fair value through profit or loss may not be reclassified subsequently.

Financial assets are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

Loans receivable are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

An assessment for impairment is undertaken on each financial asset at least at each balance sheet date.

2.19 Financial liabilities

Financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

2.20 Equity

Equity comprises:

Share capital – the nominal value of equity shares issued.
Share premium account - the excess over nominal value of the fair value of consideration received for equity shares net of expenses of the share issue.
Share-based payment reserve - the fair value of share-based payments that has been expensed in the income statement, until such share-based payments are exercised.
Retained earnings - the retained profits and losses.

2.21 Critical accounting estimates and judgements

The preparation of the financial statements requires the use of estimates and assumptions. These affect the classification and valuation of assets, liabilities, income, expenses and contingent liabilities. Estimates and assumptions mainly relate to the useful life of noncurrent assets, the discounted cash flows used in impairment testing, the valuation of share based payments and provision for taxes. Estimates are based on historical experience and other assumptions that are considered accurate in the circumstances. The actual values may vary from the estimates. The estimates and the assumptions are continually reviewed.

Critical accounting and valuation policies and methods are those that are most important to the portrayal of the Group's financial position, results of operations and cash flows, and that require the application of difficult, subjective and complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. While not all of the significant accounting policies require difficult, subjective or complex judgments, the Company considers the following accounting policies to be significant.

Intangible assets

At 30 June 2008 the Group had intangible assets with a net carrying amount of £3.056 million, comprising goodwill of £2 million and customer relationships of £1.056 million.

Intangible assets other than goodwill are amortised over their estimated useful lives. The estimated useful lives are based on estimates of the period during which the assets will generate revenue. Intangible assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may no longer be recoverable. Further information is given in Note 13.

Goodwill is tested annually for impairment. Impairment losses are measured by comparing the carrying amount to the discounted cash flows expected to be generated by the relevant cash-generating unit to which the goodwill belongs. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit. Estimating the discounted future cash flows involves significant assumptions regarding future sales prices, sales volumes and costs. The discounting process is also based on assumptions and estimations relating to business-specific costs of capital, which in turn are based on country risks, credit risks and additional risks resulting from the volatility of the respective line of business. Further information is given in Note 12.

Estimates are also used in the course of acquisitions to determine the fair value of the assets and liabilities acquired. If any intangible assets are identified, depending on the type of asset and the complexity of determining its fair value, the Company either consults with an independent external valuation expert or develops the fair value internally, using an appropriate valuation technique which is generally derived from a forecast of the total expected future net cash flows. Further information is given in Note 14.

Although the Company believes that its estimates of the relevant expected useful lives, its assumptions concerning the macroeconomic environment and developments in the industries in which the Group operates and its estimations of the discounted future cash flows are appropriate, changes in assumptions or circumstances could require changes in the analysis. This could lead to additional impairment charges in the future or to valuation write-backs should the trends expected by the Company reverse.

Share based payments

The fair value of share-based payments is determined under the Black-Scholes model and is dependant on estimates for the expected life of share options and warrants, volatility of shares, risk free yield rate to maturity and expected dividend yield. Further information is given in Note 23.

Income taxes

Estimates are made to compute provisions for taxes. Judgements are necessary to determine whether deferred tax assets are recognised. These involve assessing the probabilities that deferred tax assets resulting from deductible temporary differences and tax losses can be utilised to offset future taxable income. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate adjustments to tax income and expense in future periods. Further information is given in Notes 9 and 10.

2.22 Adoption of new and revised standards
Standards and interpretations in issue not yet adopted.
At the date of the authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective. The Directors anticipate the adoption of these standards and interpretations will have no material impact on the Group’s financial statements, with the exception of IAS 1 which will affect the presentation of changes in equity and introduces a statement of comprehensive income. This amendment will not affect the financial position or results of the Group but will give rise to additional or changed disclosure. The Directors anticipate that the Group will adopt these standards and interpretations on their effective dates.

- IAS 1 Presentation of financial statements (revised 2007) (effective 1 January 2009);
- IAS 23 Borrowing costs (revised 2007) (effective 1 January 2009);
- IAS 27 Consolidation and separate Financial Statements (revised 2008) (effective 1 July 2009);
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009);
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009);
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009);
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009);
- Amendment to IFRS 2 Share-based payment. Vesting Conditions and Cancellations (effective 1 January 2009);
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009);
- IFRS 8 Operating segments (effective 1 January 2009);
- IFRIC 12 Service concession arrangements (effective 1 July 2008);
- IFRIC 13 Customer loyalty programmes (effective 1 July 2008); and
- IFRIC 14 and IAS 19 The limit on defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2008);
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

- IFRIC 17 Distributions of Non Cash assets to Owners (effective 1 July 2009)

3. SEGMENTAL ANALYSIS

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

The Group operates in one business segment, that of the supply of goods and services to the Homeland Security Market. The Group's results, assets and liabilities are derived from the Group's single business segment.

All of the Group's production facilities are located in the United Kingdom. The Group's results, assets and liabilities are derived from the Group's assets in the UK.

4. LOSS PER SHARE

The Company's share capital was reorganised on 12 July 2007 by consolidating every 500 ordinary shares into 1 consolidated share and then subdividing each consolidated share into 1 new ordinary share and 499 deferred shares. The effect of the reorganisation was to reduce the number of ordinary shares by a factor of 500. On 13 July 2007 40,000,000 new ordinary shares were placed to raise £10 million and 10,800,000 new ordinary shares were issued as part of the consideration to purchase a new subsidiary company as described in note 14. The loss per share is based on the loss of £9,995,000 (16 months ended 30 June 2007: £104,000) and the weighted average of 52,775,578 (16 months ended 30 June 2007:52,499,762) new ordinary shares of 1 pence each in issue after these events.

	2008	*2007*
Loss attributable to equity holders of the Group (£'000)	**(9,995)**	(104)
Weighted average number of ordinary shares in issue	**52,775,578**	52,499,762
Basic and diluted loss per share	**(18.94)p**	(0.20)p

The loss for the period and the weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share are the same as for the basic earnings per share calculation. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be diluted.

5 GOODWILL

	£'000
Cost	
At 1 July 2007	-
Addition on acquisition of Aegis group	10,808
At 30 June 2008	**10,808**
Impairment	
At 1 July 2007	-
Charge for the year relating to the Aegis group	8,808
At 30 June 2008	**8,808**
Net book value	
At 1 July 2007	-
At 30 June 2008	**2,000**

As at 30 June 2008 the Group assessed the value of goodwill relating to the Aegis group, on a value in use basis, and determined that it was appropriate to reduce it by an impairment charge. The net book value of goodwill was determined from a value in use calculation using a discounted cash flow model. The discount rate was 13%. Cash flow forecasts of the Aegis group were prepared for the two years ending 30 June 2010 based on past performance and expectations and extrapolated for a further three years on a constant 10% basis to give five year projections.

The impairment charge amounted to £8.808 million, due to the combination of factors described below.

Goodwill arose on the acquisition by the Company of the Aegis group in July 2007, adding to the goodwill already recognised in the accounts of the Aegis group. Total goodwill amounted to £10.808 million. Goodwill represents the value ascribed by the Company, at the time of the acquisition, incremental to the separately identified tangible and intangible assets, including customer relationships (see Note 13). In accordance with accounting standards the value of goodwill and other intangible assets has been reviewed in the light of events since the acquisition.

At the time of the acquisition it was known that revised regulatory standards would be published in the principal markets in which the Aegis group operates. It was expected that these markets would take a few months to adjust to the revised standards. In the event the period of adjustment has taken much longer than expected and the level of activity in the market reduced significantly for about a year. During this period the Aegis group suffered a substantial reduction in sales and operated at a loss.

Trading improved from the fourth quarter of the financial year. Sales are forecast to return to the level achieved before the regulatory change in the medium term.

In parallel, business valuations generally have fallen greatly, reflecting the global economic challenges that developed in both equity and debt markets during 2008 and particularly the near complete retrenchment of commercial banks from corporate lending.

6 ACQUISITION

On 13 July 2007, the Company acquired the entire share capital of Aegis Engineering Holdings Limited (previously named Shieldtech Limited) and its wholly owned subsidiary Aegis Engineering Limited (together 'the Aegis group') whose principal activity is the design, manufacture and distribution of body armour systems and other Homeland Security products and equipment.

	Book value	**Adjustments**	**Fair value**
	£'000	*£'000*	*£'000*
Non current assets			
Property, plant and equipment	234	-	234
Other intangible assets	-	1,320	1,320
Current assets			
Inventories	897	-	897
Trade and other receivables	1,293	(28)	1,265
Cash and cash equivalents	196	-	196
Non current liabilities			
Financial liabilities – bank loan	(2,800)	-	(2,800)
Finance leases	(48)	-	(48)
Deferred income tax liabilities	(14)	-	(14)
Current liabilities			
Trade and other payables	(1,984)	(66)	(2,050)
Finance leases	(26)	-	(26)
Current tax liabilities	(417)	-	(417)
Loan notes	(467)	-	(467)
	(3,136)	1,226	(1,910)
Goodwill on acquisition			10,808

Initial purchase consideration	8,898

The acquisition of the Aegis group has been recognised in these financial statements on the basis of estimates of the fair values of the net assets acquired and the goodwill arising.

The initial purchase consideration was £8.5 million, satisfied by £5.8 million in cash and by £2.7 million from the issue of 10.8 million new ordinary shares at a market price of 25 pence each, and associated costs of £0.4 million. The initial purchase consideration is subject to adjustments dependent on the performance of the Aegis group in the two years ended 30 June 2008. The adjustments arising in respect of the year ended 30 June 2007 were £nil. The adjustment in respect of the year ending 30 June 2008 is based on an earn-out to be determined by the adjusted profit of the Aegis group (between £2.8 million and £4.2 million), subject to a maximum amount of £5.3 million and is estimated to be £nil.

Net cash flow on acquisition	*£'000*
Initial purchase consideration	8,898
Less: non-cash consideration	(2,700)
Consideration paid in cash (including associated costs)	6,198
Less: cash and cash equivalents acquired	(196)
	6,002

Goodwill arose in the business combination because the consideration included a control premium and amounts in relation to revenue growth, future market development and the assembled workforce of the Aegis group. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Company also acquired the customer lists and customer relationships of the Aegis group. The fair value of these intangible assets has been assessed and separately recognised from goodwill because they are capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

The results of the Aegis group for the year comprise:

	Pre-acquisition *£'000*	Post-acquisition *£'000*	Total *£'000*
Revenue	18	5,986	6,004
Operating profit	(171)	(366)	(537)

Company registration number
1423125

Directors
Timothy Redmayne Wightman
Robert William Denton
Anthony Arthur O'Neill
Sir Keith Povey
Adrian Effland Bradsha

Company secretary
Robert William Denton

Registered office
5 Chesford Grange
Woolston
Warrington
WA1 4RQ

Independent auditors
Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors
Shoosmiths
Apex Plaza
Forbury Road
Reading
RG1 1SH

Nominated adviser and Broker
Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN

Website
www.shieldtechplc.com