

Hesco Bastion Limited

Company Registration No 02600319

Financial statements

For the year ended 31 January 2013



Mazars House, Gelderd Road, Gildersome, Leeds LS27 7JN
Tel 0113 204 9797 Fax 0113 387 8760

HESCO BASTION LIMITED FINANCIAL STATEMENTS YEAR ENDED 31 JANUARY 2013

CONTENTS

	Page
Officers and professional advisers	1
The directors' report	2 – 5
Independent auditor's report to the members	6 – 7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 – 21
 The following pages do not form part of the statutory financial statements	
Detailed profit and loss account	23
Notes to the detailed profit and loss account	24 - 25

HESCO BASTION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 JANUARY 2013

The board of directors

L Clifford
J A Heselden (resigned 19 December 2012)
B Heselden (resigned 19 December 2012)
M Hughes
K Lyons (appointed 17 July 2013)
M Atkinson (appointed 17 July 2013)

Company Secretary

M Hughes

Registered number

02600319

Registered office

Unit 41
Knowsthorpe Way
Cross Green Industrial Estate
Leeds
LS9 0SW

Registered auditors

Mazars LLP
Mazars House
Gelderd Road
Gildersome
Leeds
West Yorkshire
LS27 7JN

Bankers

Barclays Bank plc
93-95 Main Street
Garforth
Leeds

HESCO BASTION LIMITED

THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2013

The directors present their report and the financial statements of the Company for the year ended 31 January 2013

Principal activities and business review

The principal activity of the Company is the manufacture of protective wall systems

On 1 February 2012 the Company acquired, at book value, the trade and assets of Hesco Military Products Limited. The consideration was £1,675,187. Following the transfer the activities were integrated with the existing business and therefore it is not possible to separately identify the impact on the results for the year.

Fair review of the business

As directors, we aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. This review is consistent with the size and non-complex nature of the business and is written in the context of the risks and uncertainties that the business faces.

Development and performance of the business

During the year the Company's turnover reduced by over two thirds to £33 million compared to the previous year. The overall reduction in volumes reflects changing circumstances within the key market in which the business operates and the position within this market is not expected to improve in the foreseeable future.

The Company is also experiencing increased competition for its traditional products which is impacting volumes. Development of new products and expansion of its activities into new market sectors is a key focus of the Company and initial indications are promising.

Raw material prices and other costs increased but direct staff costs fell. As a result actual gross profit was £15.3 million compared to £42.4 million for the prior year.

After the acquisition of the trade and assets of Hesco Military Products Limited on 1 February 2012, the Company has undergone a significant restructuring including a wide ranging cost reduction program to ensure that the business infrastructure is commensurate with the revised trading environment.

The overall profit before tax was £4.1 million this year compared to £22.5 million last year.

Position of the business

The cash and bank balances have decreased to £17.7 million compared to £25.9 million at the previous year end which is largely due to a reduction in non trading creditors. The cash reserves continue to be strong but the Company continues to benefit from £20 million of borrowings from its ultimate holding company. Overall net assets have increased to £12.6 million (2012 - £9.0 million).

On 2 April 2013 the Company repaid £8 million of borrowings plus £0.5 million of accrued interest back to its ultimate parent company. The remaining £12.0 million of borrowings is due after more than one year.

The Company is investing in product innovation, new product offerings and market diversification so as to move the business away from the dependence on the markets it historically relied on and early indications are that good progress is being made.

HESCO BASTION LIMITED

THE DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 JANUARY 2013

Principal risks and uncertainties

The principal risks and uncertainties facing the business largely relate to a significant proportion of the Company's turnover arising from a limited number of key customers and the related spending and circumstances of those customers. Sales in the year reflected these uncertainties and it is evident that this position is unlikely to change materially in the foreseeable future. The Company has taken the steps to scale back production and other costs.

The Company faces certain other risks and uncertainties and we are aware that the plans for the future development of the business may be subject to unforeseen future events outside our control. However we will continue to show flexibility and respond to market conditions and opportunities as they arise and we remain optimistic about the future for the Company.

Results and dividends

The profit for the year, after taxation, amounted to £3,655,441. Particulars of dividends paid in 2012 are detailed in note 9 to the financial statements.

Financial risk management objectives and policies

The Company's operations expose it to certain financial risks including a certain element of credit risk, liquidity risk, cash flow risk and exchange risk. Although there is no formal policy to manage these risks given the size and non-complex nature of the Company, the directors and senior management monitor the position of the Company including these risks in their day to day management of the Company and as such seek to minimise the risks wherever possible. The main risks are analysed below.

Credit risk, liquidity risk, cash flow risk and exchange risk

The business' principal financial instruments comprise bank balances together with various net working capital items which arise directly from its operations such as trade debtors and trade creditors. The main purpose of these instruments is to finance the business' operations.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its trade debtors. Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors. There could be a significant concentration of credit risk as there are a small number of large customers. However, such customers are large government agencies and hence the risk is considered to be minimal.

All of the business' cash balances are held in such a way that achieves a competitive rate of interest given the current market conditions. The business makes use of money market facilities to invest surplus cash. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company has a strong cash position and these exceed its current borrowings. Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

HESCO BASTION LIMITED

THE DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 JANUARY 2013

Credit risk, liquidity risk, cash flow risk and exchange risk (continued)

The Company is exposed to foreign currency risk as a consequence of trading in currencies other than sterling. The Company's transactional currency exposure arises on sales and purchases in currencies denominated in foreign currencies, particularly US dollar and euro. Significant sale and purchases are matched wherever possible. Monetary items, being mainly cash, trade debtors and trade creditors, denominated in foreign currency are included in the financial statements at the year end rate. During the year these balances are monitored closely, with significant exposures over a natural hedge being managed via spot exchange rate contracts.

Directors

The directors who served the Company during the period were as follows

L Clifford
J A Heselden (resigned 19 December 2012)
B Heselden (resigned 19 December 2012)
M Hughes

On 17 July 2013 K Lyons and M Atkinson were appointed as directors of the Company

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware

- there is no relevant audit information of which the Company's auditor is unaware and
 - the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
-

HESCO BASTION LIMITED

THE DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 JANUARY 2013

Donations

During the year the Company made the following contributions

	2013 £	2012 £
Charitable	<u>3,701</u>	<u>85,073</u>

No political donations were made during the year (2012 - £nil) The Company has a policy of not making donations to political organisations or incurring political expenditure as defined in sections 362 to 379 of the Companies Act 2006

Research and development

The directors consider that research and development directed towards the introduction of new and improved products is vital to the Company's continuing success Research and development expenditure of £50,174 (2012 - £261,595) was incurred during the year No costs have been capitalised

Auditors

The auditor, Mazars LLP will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006

The report was approved by the board on 13 September 2013 and signed on its behalf by


M Hughes
Company Secretary

HESCO BASTION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HESCO BASTION LIMITED FOR THE YEAR ENDED 31 JANUARY 2013

We have audited the financial statements of Hesco Bastion Limited for the year ended 31 January 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 January 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HESCO BASTION LIMITED

INDEPENDENT AUDITORS' REPORT (continued) TO THE MEMBERS OF HESCO BASTION LIMITED FOR THE YEAR ENDED 31 JANUARY 2013

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Shaun Mullins (Senior statutory auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditors

Mazars House
Gelderd Road
Gildersome
Leeds
West Yorkshire
LS27 7JN

Date 24 September 2013

HESCO BASTION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2013

	Note	2013 £	2012 (represented) £
Turnover	2	32,563,452	105,076,598
Cost of sales		(17,282,205)	(62,641,666)
Gross profit		15,281,247	42,434,932
Administrative expenses		(10,942,956)	(21,144,676)
Other operating income	3	36,857	579,659
Operating profit	4	4,375,148	21,869,915
Attributable to			
Operating profit before exceptional items		4,375,148	30,873,499
Exceptional items	4	-	(9,003,584)
		4,375,148	21,869,915
Interest receivable		118,534	756,455
Interest payable and similar charges	7	(406,459)	(115,160)
Profit on ordinary activities before taxation		4,087,223	22,511,210
Tax on profit on ordinary activities	8	(431,782)	(10,211,704)
Profit for the financial year		3,655,441	12,299,506

All of the activities of the Company are classed as continuing

The Company has no recognised gains or losses other than the results for the period as set out above

The notes on pages 10 to 21 form part of these financial statements

HESCO BASTION LIMITED

BALANCE SHEET AS AT 31 JANUARY 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Intangible assets	10		80,000		-
Tangible assets	11		553,086		521,443
Investments	12		1,000		1,000
			<u>634,086</u>		<u>522,443</u>
Current assets					
Stocks	13	7,035,856		8,967,493	
Debtors due within one year	14	13,345,985		22,746,043	
Debtors due after more than one year	16	9,977,195		-	
Cash at bank		<u>17,689,039</u>		<u>25,920,295</u>	
		48,048,075		57,633,831	
Creditors: due within one year	17	(24,066,886)		(49,196,440)	
Net current assets			<u>23,981,189</u>		<u>8,437,391</u>
Total assets less current liabilities			24,615,275		8,959,834
Creditors due after more than one year	18		(12,000,000)		-
			<u>12,615,275</u>		<u>8,959,834</u>
Capital and reserves					
Called-up share capital	23		125		125
Profit and loss account	24		12,615,150		8,959,709
Shareholders' funds	25		<u>12,615,275</u>		<u>8,959,834</u>

These financial statements were approved by the directors and authorised for issue on

13 September 2013 and are signed on their behalf by



M Hughes
Director

The notes on pages 10 to 21 form part of these financial statements

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2013

1 Accounting policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 2 and 3. The financial position of the Company, its liquidity position and financial risk management are also described in the directors' report.

The Company has undergone a significant restructuring including a wide ranging cost reduction program to meet the increased competition for its traditional products. The Company is fortunate to have significant cash balances and a supportive ultimate controlling party.

The Company's forecast and projections, taking into account all reasonably possible changes in trading performance, show that the Company should be able to operate within its current working capital facility.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. They thus continue to adopt the going concern basis of accounting in preparing these financial statements.

1.3 Consolidation

The Company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements.

1.4 Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is a subsidiary, where 90 per cent or more of the voting rights are controlled within the group and the parent company has prepared publicly available consolidated financial statements which include a consolidated cash flow statement incorporating the Company's cash flows.

1.5 Reclassification of prior year balances

The directors have reassessed the classification of expenditure between cost of sales and administrative expenses to better reflect the cost of manufacture and the expenditure on supporting operations. This has resulted in a representation of the 2012 profit and loss account with the following reclassifications:

	2012 £
Decrease in cost of sales	(8,462,277)
Increase in administrative expenses	8,462,277
Net effect on profit for the year	<u>-</u>

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

1 Accounting policies (continued)

1.6 Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the Company has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer.

1.7 Research and development

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

1.8 Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Patents	- 20% straight line basis
Intellectual property	- 20% straight line basis

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

1.10 Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Long leasehold land and property	- 2% straight line basis
Plant & Machinery	- 20% straight line basis
Fixtures & Fittings	- 20% straight line basis
Motor Vehicles	- 25% straight line basis

1.11 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Stock is valued on a standard cost basis where cost includes material and direct labour costs together with an appropriate proportion of production overheads. Net realisable value is the anticipated sales proceeds less any costs of disposal.

1.12 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

1.13 Pension costs

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. The assets of the scheme are held separately from those of the Company in an independently administered fund.

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

1 Accounting policies (continued)

1 14 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, or a right to receive repayments of tax

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax assets and liabilities recognised have not been discounted

1 15 Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account

1.16 Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any permanent diminution in value

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company

An analysis of turnover is given below

	2013	2012
	£	£
United Kingdom	2,697,887	12,550,634
Europe	1,325,570	4,148,448
Rest of World	28,539,995	88,377,516
	<u>32,563,452</u>	<u>105,076,598</u>

3 Other operating income

	2013	2012
	£	£
Royalties received	<u>36,857</u>	<u>579,659</u>

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

4 Operating profit

Operating profit is stated after charging/(crediting)

	2013 £	2012 £
Depreciation of owned fixed assets	409,469	567,916
Amortisation in intangible assets	20,000	-
Research and development	50,174	261,595
Exceptional item – impairment of freehold property	-	9,003,584
Profit on disposal of fixed assets	-	(1,380)
Loss on foreign exchange	124,627	420,533
Operating lease costs for land and buildings	442,431	116,468
Auditor's remuneration – audit of the financial statements	23,000	22,000
Auditor's remuneration – taxation and accounting services	5,400	4,000

5 Employees

The average number of staff employed by the Company during the financial period amounted to

	2013 No	2012 No
Production	107	164
Administration	39	20
	<u>146</u>	<u>184</u>

The aggregate payroll costs of the above were

	2013 £	2012 £
Wages and salaries	6,129,148	9,491,555
Social security costs	571,865	944,025
Other pension costs	184,014	104,866
	<u>6,885,027</u>	<u>10,540,446</u>

6 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2013 £	2012 £
Aggregate remuneration	597,750	426,843
Value of Company pension contributions to money purchase schemes	17,913	31,438
	<u>615,663</u>	<u>458,281</u>

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

6 Directors' remuneration (continued)

Remuneration of highest paid director:

	2013 £	2012 £
Total remuneration (excluding pension contributions)	355,450	191,907
Value of Company pension contributions to money purchase schemes	17,250	30,000
	<u>372,700</u>	<u>221,907</u>

The number of directors accruing benefits under money purchase pension schemes was as follows

	2013 No	2012 No
Money purchase schemes	<u>2</u>	<u>2</u>

7 Interest payable and similar charges

	2013 £	2012 £
Interest on other loans	<u>406,459</u>	<u>115,160</u>

Interest paid to group undertakings amounted to £406,459 (2012 – £115,140)

8 Taxation on ordinary activities

a) Analysis of charge in the period

	2013 £	2012 £
In respect of the year		
UK Corporation tax based on the results for the year at 24 33% (2012 – 26 33%)	626,255	10,398,180
Under provision in prior year	-	2,270
	<u>626,255</u>	<u>10,400,450</u>
Deferred tax		
Tax credit in the year	(194,473)	(188,746)
Tax on profit on ordinary activities	<u>431,782</u>	<u>10,211,704</u>

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2012 – higher) than the standard rate of corporation tax in the UK of 24 33% (2012 – 26 33%)

	2013 £	2012 £
Profit on ordinary activities before taxation	4,087,223	22,511,210
Profit on ordinary activities by rate of tax	994,421	5,927,201
Effects of		
Expenses not deductible for tax purposes	47,190	1,719
Capital allowances (in excess)/less than depreciation	(24,695)	40,060
Enhanced relief for research and development	(13,952)	(20,664)
Profit on disposal of fixed assets	-	(364)
Adjustments to tax charge in respect of previous periods	-	2,270
Group relief	(45,104)	(70,029)
Impairment charge	-	2,370,644
Other timing differences	(331,605)	2,149,613
Total current tax (note 8(a))	626,255	10,400,450

9 Dividends

Equity Dividends	2013 £	2012 £
Paid during the year		
Dividends on equity shares	-	103,100,000
Dividends in specie on equity shares	-	5,505,485
	-	108,605,485

10 Intangible fixed assets

	Patent £	IP £	Total £
Cost			
At 1 February 2012	164,909	-	164,909
Transferred from other debtors	-	100,000	100,000
At 31 January 2013	164,909	100,000	264,909
Amortisation			
At 1 February 2012	164,909	-	164,909
Charge for the year	-	20,000	20,000
At 31 January 2013	164,909	20,000	184,909
Net book value			
At 31 January 2013	-	80,000	80,000
At 31 January 2012	-	-	-

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

11 Tangible fixed assets

	Leasehold Properties	Fixtures & Fittings	Office Equipment	Plant & Machinery	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 February 2012	-	539,436	-	3,467,658	118,032	4,125,126
Additions	55,527	51,047	181,959	1,016,827	-	1,305,360
Assets transferred from group company	-	118,809	421,038	-	-	539,847
Disposals	-	-	(263,777)	-	-	(263,777)
Reclassification	-	(140,177)	140,177	-	-	-
Assets held for resale	-	-	-	(994,957)	-	(994,957)
At 31 January 2013	<u>55,527</u>	<u>569,115</u>	<u>479,397</u>	<u>3,489,529</u>	<u>118,032</u>	<u>4,711,600</u>
Depreciation						
At 1 February 2012	-	372,027	-	3,144,659	86,997	3,603,683
Charge for the period	666	29,518	79,869	285,271	14,145	409,469
Assets transferred from group company	-	118,361	373,691	-	-	492,052
Disposals	-	-	(263,777)	-	-	(263,777)
Reclassification	-	(10,726)	10,726	-	-	-
Assets held for resale	-	-	-	(82,913)	-	(82,913)
At 31 January 2013	<u>666</u>	<u>509,180</u>	<u>200,509</u>	<u>3,347,017</u>	<u>101,142</u>	<u>4,158,514</u>
Net book value						
At 31 January 2013	<u>54,861</u>	<u>59,935</u>	<u>278,888</u>	<u>142,512</u>	<u>16,890</u>	<u>553,086</u>
At 31 January 2012	<u>-</u>	<u>167,409</u>	<u>-</u>	<u>322,999</u>	<u>31,035</u>	<u>521,443</u>

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

12 Investments

	Group shares £
Cost	
At 31 January 2012 and 31 January 2013	<u>5,025,000</u>
Amounts written off	
At 31 January 2012 and 31 January 2013	<u>5,024,000</u>
Net book value	
At 31 January 2012 and 31 January 2013	<u>1,000</u>

The investment represents 100% of the issued share capital of Hesco Corrosion Control Products Limited, a dormant company incorporated in England & Wales. This subsidiary undertaking had net assets of £1,000 at both 31 January 2013 and 2012.

13 Stocks

	2013 £	2012 £
Raw materials	4,903,298	6,142,105
Finished goods	<u>2,132,558</u>	<u>2,825,388</u>
	<u>7,035,856</u>	<u>8,967,493</u>

14 Debtors

	2013 £	2012 £
Trade debtors	8,208,661	7,998,151
Amounts owed by group undertakings	-	11,648,436
Assets held for resale	912,045	-
Other debtors	2,734	1,879,266
Prepayments and accrued income	566,700	1,045,055
Corporation tax	1,210,210	-
Other taxation	2,076,027	-
Deferred taxation (note 15)	369,608	175,135
	<u>13,345,985</u>	<u>22,746,043</u>

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

15 Deferred taxation

The deferred tax included in the balance sheet is as follows

	2013	2012
	£	£
Included in debtors (note 14)	<u>369,608</u>	<u>175,135</u>

The movement in the deferred taxation account during the year was

	2013	2012
	£	£
At 1 February	175,135	(13,611)
Profit and loss account movement arising during the year	<u>194,473</u>	<u>188,746</u>
At 31 January	<u>369,608</u>	<u>175,135</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2013	2012
	£	£
Excess of depreciation over taxation allowances	<u>369,608</u>	<u>175,135</u>

Deferred tax is provided at 24% (2012 – 24%)

16 Debtors: due after more than one year

	2013	2012
	£	£
Amounts owed by group undertakings	<u>9,977,195</u>	<u>-</u>

The balance falling due after more than one year has no fixed repayment date and is unsecured

17 Creditors due within one year

	2013	2012
	£	£
Trade creditors	849,175	2,299,104
Amounts owed to group undertakings	9,591,826	27,778,385
Corporation tax	-	3,864,911
Other taxes and social security costs	144,273	193,904
Other creditors	210,497	249,350
Accruals and deferred income	<u>13,271,115</u>	<u>14,810,786</u>
	<u>24,066,886</u>	<u>49,196,440</u>

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

18 Creditors due after more than one year

	2013 £	2012 £
Amounts owed to group undertakings	<u>12,000,000</u>	<u>-</u>

The debenture loan from the ultimate parent company is repayable in full in July 2018, or before that date with 13 months' notice. Interest is charged at 1.5% above the UK bank rate. The debenture is secured via fixed and floating charge over the Company's assets.

19 Commitments under operating leases

	Land and buildings 2013 £	Land and buildings 2012 £
Operating leases which expire After more than 5 years	<u>442,431</u>	<u>400,000</u>

20 Bonds and guarantees

The Company has entered into the following bank guarantees

Type	In favour of:	Value	Expiry
Performance	United Nations, New York	£1,193,356	Jun 2014
Performance	GHQ UAE Armed Forces, Abu Dhabi	£155,385.29	Sep 2013

The Company does not expect a claim under any of these guarantees.

21 Pension scheme

The Company contributes to pension schemes of the defined contribution type for certain employees. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £184,014 (2012 - £104,866).

Included in creditors is £23,184 (2012 - £115,531) in respect of employee and employer contributions due to the scheme at the year end.

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

22 Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard No 8 "Related Party Transactions" from disclosing transactions with the group of companies headed by Hesco Bastion (Group) Limited on the basis that it is a 100% owned subsidiary

During the year Flint Mill Limited lent the Company £nil (2012 - £20,000,000), charged interest and rent of £406,459 (2012 - £115,140) and £400,000 (2012 - £116,468) respectively to the Company, and sold other assets of £nil (2012 - £215,647) to the Company. At year end £21,255,326 (2012 - £20,505,498) is owed to Flint Mill and is analysed as £9,255,326 (2012 - £20,505,498) due within one year and £12,000,000 (2012 - £nil) due after more than one year

Included in debtors is an amount of £9,977,195 (2012 - £11,601,898) owed by Hesco Bastion (Group) Limited

Included in creditors are amounts of £335,500 (2012 - £7,225,349) and £1,000 (2012 - £1,000) owed to Hesco Bastion Inc and Hesco Corrosion Control Products Limited respectively

During the year the group made purchases in respect of director services on normal commercial terms from WPA Associates amounting to £209,350 fees plus expenses of £4,663 (2012 - £169,907). This amount, excluding expenses, is included in directors' remuneration. M Hughes, a director of the Company, has an involvement and interest in WPA Associates. Included in creditors at 31 January 2013 is an amount of £28,898 (2012 - £25,092) due to WPA Associates

The Company has a balance with The Executors of the Estate of James William Heselden which at the year end amounted to £158,321 (2012 - £182,712) and this is shown as part of other creditors. Transactions incurred by the Company on behalf of The Executors are charged or credited to this account during the year. In the year payments and receipts on behalf of The Executors totalled £46,297 and £5,000 respectively

23 Share capital

Allotted, called up and fully paid:

	2013		2012	
	No	£	No	£
125 Ordinary shares of £1 each	125	125	125	125

24 Profit and loss account

	2013	2012
	£	£
Balance brought forward	8,959,709	105,265,688
Profit for the financial year	3,655,441	12,299,506
Equity dividends	-	(108,605,485)
Balance carried forward	12,615,150	8,959,709

HESCO BASTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 JANUARY 2013

25 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Profit for the financial year	3,655,441	12,299,506
Equity dividends	-	(108,605,485)
Net addition/(reduction) to shareholders' funds	3,655,441	(96,305,979)
Opening shareholders' funds	8,959,834	105,265,813
Closing shareholders' funds	<u>12,615,275</u>	<u>8,959,834</u>

26 Acquisitions

	Fair value and book value £
Tangible fixed assets	47,795
Other debtors and prepayments	71,090
Cash at bank and in hand	2,367,724
Trade creditors	(127,930)
Corporation tax	(276,051)
Other taxes and social security costs	(217,071)
Accruals and deferred income	(190,370)
	<u>1,675,187</u>
Goodwill acquired	<u>-</u>
Satisfied by	
Consideration paid – cash	<u>1,675,187</u>

On 1 February 2012 the Company acquired, at book value, the trade and assets of Hesco Military Products Limited. The consideration was £1,675,187. Following the transfer the activities were integrated with the existing business and therefore it is not possible to separately identify the impact on the results for the year.

In the period from 19 October 2011 to 31 January 2012, Hesco Military Products Limited made a profit after tax of £611,214.

27 Ultimate parent company

The Company's immediate parent company is Hesco Bastion (Group) Limited, a company registered in England and Wales. The ultimate parent company is Flint Mill Limited, a company registered in England and Wales.

The largest and smallest group of undertakings for which group financial statements have been drawn up is that headed by Flint Mill Limited. Group financial statements are available from the registered office, Unit 41, Knowsthorpe Way, Leeds, LS9 0SW.

28 Control

The Company's ultimate controlling party is The Executors of the Estate of James William Heselden by virtue of their controlling interest in the Company's ultimate parent company.