Hesco Bastion Limited

Company Registration No. 02600319

Annual Report and Financial Statements

For the year ended 31 December 2020

HESCO BASTION LIMITED

COMPANY INFORMATION

Directors	Piyush Jutha (appointed 19 May 2020) Basavaraj Kappali (appointed 21 December 2020)
Registered number	02600319
Registered office	41 Knowsthorpe Way Cross Green Industrial Estate Leeds West Yorkshire LS9 0SW
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditor Central Square 29 Wellington Street Leeds West Yorkshire United Kingdom LS1 4DL
Bankers	Barclays Bank plc 93-95 Main Street Garforth Leeds LS25 1AF

HESCO BASTION LIMITED

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HESCO BASTION LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their strategic report for Hesco Bastion Limited ("Company") for the year ended 31 December 2020.

Principal activities

The principal activity of the Company is as a supplier of protective wall systems. Besides the relocation of manufacturing operations overseas *(refer to the future developments section in the Directors' report)* there have not been any other significant changes in the Company's principal activity in the year under review. The Directors are not aware, at the date of this report, of any other likely major changes in the Company's principal activity in the forthcoming year.

Review and analysis of the business during the current 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, using key performance indicators. 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 experienced an improvement in its core markets and as a result revenue increased to £23.1million compared to £17.3 million in the previous year and gross profit increased to £5.1 million as compared to £4.4 million in 2019. Operating profit was £2.7 million compared with £2.3 million in the prior year. Overall profit before tax was £2.6 million for the year compared to £2.3 million in the prior year.

Product development continued to be an area of focus during the year (Refer to Directors' report).

Financial position as the reporting date

The cash and bank balances at the year-end decreased to £0.1 million compared to £0.9 million as 31 December 2019. At 31 December 2020 overall net assets total £14.5 million (2019: £11.9 million).

Principal risks and uncertainties

The principal risks and uncertainties facing the business largely relate to a significant proportion of the Company's revenue arising from a limited number of key customers and the related spending and circumstances of those customers.

The Company also considers risks relating to the competitive nature of the business, raw material price fluctuations, operational performance and compliance. The risk of operational performance and compliance is mitigated by stringent controls, policies and procedures to ensure that contractual and legal obligations are fully complied with. The Company manages the competitive threats through product development and innovation, strong brand development and ensuring high product quality standards. The risk of significant fluctuations in raw material prices is managed through building strong supplier relationships and strategic purchasing initiatives. The impact of COVID-19 on the Company during the year was limited, and the Company expects any further impact from the pandemic to be limited, albeit remaining cognisant that uncertainty prevails as set out in note 1.3 to the financial statements.

The main risks are analysed below.

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 expected credit loss. 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 net risk in most circumstances 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 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's cash position in addition to the balance of funds loaned to its parent Company exceed its current borrowings. Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

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.

This report was approved by the board and signed on its behalf by:

P Jutha
Director

7 June 2021

HESCO BASTION LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the Company for the year ended 31 December 2020.

Financial instruments

The Company's Directors and senior management are responsible for managing the credit, liquidity, cash flow and foreign currency risks associated with the Company's activities. The Company's principal financial instruments comprise bank balances together with various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. The main purpose of these instruments is to finance the Company's operations.

Dividends

During the year no dividends were paid or recommended. (2019: £34.0m).

Future developments

The Directors consider that expansion into new market sectors will continue and this will complement the business's existing market. In addition, product development has continued to be an area of focus during the year and the Company is anticipating bringing new products to market in the near future.

During the year, the Company, as a subsidiary of Praesidiad Group Limited ("the Group"), made the strategic decision to take advantage of the Group's manufacturing capabilities and relocate core UK based manufacturing operations overseas within the wider group. The Company believes the decision strengthens operational performance and aims to minimise future risks associated with competition and price pressure, ensuring we remain competitive in our core markets. The principle sales and support activities of the business will continue to be based within the UK.

Directors

The Directors who were in office during the year and up to the date of signing the financial statements were:

Piyush Jutha (appointed 19 May 2020)
Basavaraj Kappali (appointed 21 December 2020)
A Chokra (resigned 19 May 2020)
K Lyons (resigned 19 June 2020)
P Howes (Appointed 19 May 2020. Resigned 10 December 2020)

Directors Indemnity Arrangements

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity was in place during the year and remains in force as at the date of approving the Directors' report.

Statement of directors' responsibilities in respect of the financial statements

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, 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.

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 £236,000 was incurred during the year (2019: £226,000). No costs have been capitalised.

Going Concern

The financial statements are prepared on a going concern basis subject to a material uncertainty as set out in Note 1.3 in Accounting Policies.

Employees

The Company's policy relating to employee involvement is to consult and discuss with employees on matters likely to affect employees' interests. During the year information about the Company has been communicated through regular communication update meetings in which employees have been invited to raise questions and issues regarding the Company's performance. The Company gives full consideration to applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the role. Details of the number of employees and related costs can be found in note 6 to the financial statements.

Independent Auditors

PricewaterhouseCoopers LLP are deemed to be reappointed as independent auditors under section 487(2) of the Companies House Act 2006.

This report was approved by the board and signed on its behalf by:

P Jutha
Director

7 June 2021

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HESCO BASTION LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Hesco Bastion Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 2020; the Statement of comprehensive income and 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.3 to the financial statements concerning the Company's ability to continue as a going concern. The possible impacts and consequences of COVID-19 on the Company and the environment in which it operates, along with the other matters explained in note 1.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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

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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 in respect of the financial statements, 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety regulations, direct and indirect taxation and employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiries of management and other parties in the Company, including consideration of fraud and potential instances of non-compliance with laws and applicable regulations set out above;
- Substantive testing of journal entries which met a defined risk criteria, focusing on where and how fraud could arise; and
- Challenging assumptions and judgements made by management in its accounting estimates or judgements, in particular in relation to restructuring provisions.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' 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.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.

Patrick O'Brien.

Patrick O'Brien (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 June 2021

HESCO BASTION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Revenue	3	23,131	17,303
Cost of sales		(18,041)	(12,854)
Gross profit		5,090	4,449
Administrative expenses		(3,138)	(2,735)
Other operating income	3	749	577
Operating profit	4	2,701	2,291
Interest receivable and similar income	8	23	107
Interest payable and similar expenses	9	(109)	(122)
Profit before taxation		2,615	2,276
Tax on profit	10	(21)	671
Profit for the financial year		2,594	2,947
Other comprehensive income		-	-
Total comprehensive income for the year		2,594	2,947

The notes on pages 12 to 30 form part of these financial statements

HESCO BASTION LIMITED
Registered Number: 02600319
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	207	1,756
		207	1,756
Current assets			
Stocks	13	5,588	7,152
Debtors: amounts due within one year	14	15,015	8,951
Debtors: amounts due after more than one year	14	-	-
Cash at bank and in hand		123	898
		20,726	17,001
Creditors: amounts falling due within one year	16	(4,249)	(3,528)
Net current assets		16,477	13,473
Total assets less current liabilities		16,684	15,229
Creditors: amounts falling due after more than one year	16	(2,218)	(3,357)
Net assets		14,466	11,872
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account		14,466	11,872
Total shareholders' funds		14,466	11,872

The financial statements on pages 9 to 11 were approved by the Board of Directors on 7th June 2021 and signed on its behalf by:

P Jutha
Director
7 June 2021

The notes on pages 12 to 30 form part of these financial statements.

HESCO BASTION LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' equity £'000
At 1 January 2019	-	42,925	42,925
Profit for the year	-	2,947	2,947
Other comprehensive income	-	-	-
Total comprehensive income	-	2,947	2,947
Dividends Paid		(34,000)	(34,000)
At 31 December 2019	-	11,872	11,872
At 1 January 2020		11,872	11,872
Profit for the year	-	2,594	2,594
Other comprehensive income	-	-	-
Total comprehensive income	-	2,594	2,594
Dividends paid (note 22)	-	-	-
At 31 December 2020	-	14,466	14,466

Reserves

Profit and loss account
This reserve represents cumulative profits and losses of the Company.

The notes on pages 12 to 30 form part of these financial statements.

1 Accounting policies

1.1 General information

Hesco Bastion Limited ("the Company") is a private company limited by shares, domiciled and registered in England & Wales and incorporated in the United Kingdom. The address of its registered office and principal place of business is 41 Knowsthorpe Way, Cross Green Industrial Estate, Leeds, West Yorkshire LS9 0SW. The registered number is 02600319.

These financial statements have been presented in Pound Sterling as the Company is UK based and incurs a high proportion of its costs in this currency.

1.2 Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).The financial statements have been prepared under the historic cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The Company is a wholly owned subsidiary undertaking of Praesidiad Group Limited, a company registered in the UK. The consolidated financial statements of Praesidiad Group Limited ("the Group") are available from UK Companies House website.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
    - (i) paragraph79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
    - 10(d) (statement of cash flows);
    - 16 (statement of compliance with all IFRS);
    - 38A (requirement for minimum of two primary statements, including cash flow statements);
    - 38B–D (additional comparative information);
    - 111 (statement of cash flow information); and
    - 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a Group.

Where required, equivalent disclosures are given in the consolidated financial statements of Praesidiad Group Limited.

The principal accounting policies applied in the preparation of these financial statements are set out below within this note. These policies have been consistently applied to all years presented, unless otherwise stated.

1 Accounting policies (continued)

1.3 Going concern

The Company is owned and is a part of the Praesidiad Group of companies ("the Group"). A thorough going concern test has been performed by the Group which considers all subsidiary companies including this company. The Praesidiad Group Limited consolidated financial statements, including going concern assessment will be publicly available from the UK's Companies House once they have been filed.

In respect of the Group's 2020 Annual Report and consolidated financial statements, the ongoing COVID-19 pandemic has had a material impact on the going concern assessment. At year end the Group had sufficient liquidity to see it through the unprecedented and uncertain trading environment. As at 31 December 2020 the group was covenant tested and was not in breach.

The Group's base case assumptions show that it will be able to operate within the senior finance agreement ('SFA') for at least 12 months from the date of approval of the Annual Report and consolidated financial statements with sufficient liquidity and no breach of financial covenants.

At the time the Group issued its Annual Report and consolidated financial statements there were still unprecedented market conditions driven by COVID-19, which increases the uncertainty of delivering the Group's forecasts and accordingly the risk that the Group may breach a financial covenant. These conditions indicate that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern. The consolidated financial statements did not include the adjustments that would result if the Group were unable to continue as a going concern. Notwithstanding this material uncertainty, the Group's Directors' confidence in the Group's forecasts and ability to service the Group's debt facilities supports the Group's Directors' going concern assessment covering a period of at least 12 months from the date of approval of the Group's Annual Report and consolidated financial statements.

The directors of the Company have considered the Group's assessment of going concern and make the same conclusions around the going concern assessment of the Company. In a severe but plausible scenario due to the unforeseen impacts of Covid-19, the Company may require support from the Group and given the uncertainty at a Group level, there is a risk that the Group may be unable to provide support to the Company. The Directors have therefore concluded that these market conditions arising as a result of COVID-19 indicate that a material uncertainty exists that may cast significant doubt over the Company's ability to continue as a going concern. Notwithstanding this material uncertainty, the Company's Directors' confidence in the Group's and Company's position supports the Company's going concern assessment covering a period of at least 12 months from the date of approval of the Company financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

1.4 New and amended standards adopted by the Company

There are no amendments to accounting standards that are effective for the year ended 31 December 2020 that have a material impact on the Company's financial statements.

1.5 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements.

1 Accounting policies (continued)

Revenue from sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit terms are 30 to 90 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, refunds). In determining the transaction price for the sale of products, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration
If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company did not have any revenue streams during 2020 or 2019 which had variable consideration or rights of return.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Other Income
The Company earns royalties from other distributors within the Group in relation to the sale of products designed by the Company. Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

1.5 Research and development
Development costs that are directly attributable to the design and testing of identifiable products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the product include the employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1 Accounting policies (continued)

1.6 Taxation

Current Tax
The tax expense for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years.

Current tax and deferred taxes are charged or credited to Other Comprehensive Income if the tax relates to items that are credited or charged, in the same or a different period, to Other Comprehensive Income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Deferred tax
Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill impairment or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised (unless the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

1 Accounting policies (continued)

1.7 Intangible assets, other than goodwill

Intangible assets are initially recognised at cost, which is the purchase price plus any directly attributable costs. Subsequently intangible assets are measured at cost less any accumulated amortisation and impairment losses.

Amortisation is charged on a straight-line basis to administrative expenses in profit or loss over the shorter of the useful life of the asset or the contractual or legal rights arising on acquisition. The useful lives are as follows:

Acquired computer software	- 20% straight line basis

Intangible assets are tested for impairment where indication of impairment exists at the reporting date.

1.8 Tangible assets

Tangible assets are initially recognised at cost which is the purchase price plus any directly attributable costs. Subsequently, tangible assets are measured at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, on a straight-line basis over the useful life of that asset as follows:

Plant & Machinery	- 20% straight line basis (5 years)
Fixtures & Fittings	- 20% straight line basis (5 years)
Office Equipment	- 20% straight line basis (5 years)
Motor Vehicles	- 25% straight line basis (4 years)

Tangible assets all have a finite useful life and are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If carrying values exceed estimated recoverable amount, the assets are written down to their recoverable amount. Recoverable amount is the greater of fair value less cost to sell and value in use. Value in use is assessed based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

1.9 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset is subsequently depreciated using the straight-line method over the useful life of the asset, which is determined as being the shorter of determined useful life, or from the commencement date to the end of the lease term

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1 Accounting policies (continued)

Lease payments associated with low-value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'tangible assets' and lease liabilities in 'loans and borrowings' in the statement of financial position.

1.10 *Impairment of assets*

At each reporting date, the Company reviews the carrying value of its 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.

Where the recoverable amount of an asset is less than the carrying amount an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent year if, and only if, the reasons for the impairment loss have ceased to apply.

1 Accounting policies (continued)

1.11 Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds only basic financial instruments, which comprise cash at bank and in hand, trade and other debtors, trade and other creditors, and loans.

Financial assets

Cash

Cash includes cash at bank and in hand.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables included in current assets.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade debtors and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

1 Accounting policies (continued)

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Trade and other debtors
Trade and other debtors are stated initially at their fair value and subsequently at amortised cost less any allowance for expected credit losses. An allowance is made when collection of the full amount is no longer considered probable or as set out in the section preceding.

Financial liabilities

Trade and other creditors and loans
Liabilities for trade and other amounts payable are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Payables to related parties are carried at amortised cost. Where the time value of money is insignificant for short term payables they are recognised at cost.

1.12 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. Net realisable value is the anticipated sales proceeds less any costs of disposal.

1.13 Provisions

Provisions for restructuring costs and other obligations are recognised when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and, a reliable estimate can be made of the amount of the obligation.

1.14 Employee benefits

Short-term benefits
Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is received. An accrual is recognised for short-term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

Defined pension contribution
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 reporting year.

1 Accounting policies (continued)

1.15 Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at year end exchange rates. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting exchange rates differences are recognised in profit or loss.

1.16 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary dividends declared as final dividends are recognised as a liability in the period in which they are approved by shareholders.

2 Critical accounting judgements and key estimation uncertainties

Critical judgements in applying the Company's accounting policies

The critical judgements that the Directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of trade debtors, the Directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings, correspondence with customers regarding payment expectations and experience of recoverability and where applicable, the ability of the asset to be operated as planned. Except as disclosed in these Financial Statements, there have been no further indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Carrying value of stocks

The Company establishes a provision for stocks that are estimated not to be recoverable. Where larger amounts of stock are provided for, as this is an estimate of future selling price/sales volumes there is the potential for such provisions to materially reverse in subsequent periods where outcomes vary. Inventory provision amounts to 18% of the balance held at the year end. An increase due to future changes to 10% would result in a further £0.6m provision (and corresponding impact to the profit before tax.

(ii) Provisions

During the year the Hesco Leeds assembly site in the site in the UK was closed and activities transferred to another Group site in Kotlarnia, Poland, to allow manufacturing and assembly to be performed at the same site. There will continue to be a sales office in Leeds, UK. As a result of this move a restructuring provision was raised in the year. Although a majority of spend has already taken place there is still provision remaining for future spend.

In determining the amount recognised for the provisions, assumptions and estimates are made in relation to the expected costs and the expected timing of those costs. To the extent that the actual costs differ from the expected costs the amounts expended in the future may differ to the estimates made. The provision at year end is £1.6m as set out in note 19. Certain elements of the provision are subject to ongoing negotiations and therefore have the potential to vary in the next 12 months. This estimation uncertainty could result in up to a £0.3m change to the provision (and corresponding impact to profit before tax).

3 Revenue

Revenue is attributable to the principal activity of the Company, which is the manufacture of protective wall systems. All Revenue arises from the sale of goods. All Revenue arises from products transferred at a point in time on the sale of goods. After considering the practical expedient in IFRS 15 paragraph 121 there are no remaining performance obligations which need to be disclosed. Refer to note 16 for details around the contract liabilities, no revenue was recognised during the year in respect of contract liabilities (2019: £Nil). There are no contract assets at year end and no revenue was recognised during the year from performance obligations satisfied in previous years.

An analysis of Revenue by geographic location of destination of goods is presented below:

	2020 £'000	2019 £'000
United Kingdom	863	824
Europe	2,782	2,865
Rest of World	19,486	13,614
	23,131	17,303

An analysis of other operating income by category is presented below:

	2020 £'000	2019 £'000
Royalties receivable	385	577
Intercompany Service Charges	363	-
	749	577

4 Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	20	25
Depreciation on ROU assets (refer to note 18)	242	238
Profit on disposal of tangible fixed assets	(36)	(2)
Research and development expenditure	236	226
Foreign exchange (gains)/losses	430	(63)

5 Auditors' remuneration

	2020 £'000	2019 £'000
Fees payable to the Company's auditors for		
- the audit of the Company's financial statements	54	33

6 Employee benefits

The Company's average monthly number of employees during the year was:

	2020 No.	2019 No.
Production	58	51
Administration and management	16	20
	74	71

The aggregate payroll costs of the above were:

	2020 £'000	2019 £'000
Wages and salaries	3,751	2,761
Social security costs	(242)	783
Other pension costs	91	102
	3,600	3,646

7 Directors' remuneration

The Directors' aggregate remuneration in respect of qualifying services were:

	2020 £'000	2019 £'000
Emoluments	102	236
Pension contributions to money purchase schemes	-	3
	102	239

Remuneration of highest paid Director:

	2020 £'000	2019 £'000
Emoluments	102	201
	102	201

The number of Directors who:

	2020 No.	2019 No.
Are members of a money purchase scheme	-	2

At the 31 December 2020, no current directors in office are remunerated through the Company and are instead remunerated by other group companies.

8 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable on cash at bank	5	21
Interest receivable on intergroup loans	18	81
Other interest receivable	-	5
	23	107

9 Interest payable and similar expense

	2020 £'000	2019 £'000
Interest expense – leases (refer to note 18)	(109)	(122)
	(109)	(122)

10 Tax on profit

a) Analysis of (credit)/charge in the year

	2020 £'000	2019 £'000
Current tax		
UK Corporation tax based on the results for the year at 19% (2019: 19%)	-	-
Adjustment to tax charge in respect of prior year	-	(740)
	-	(740)
Deferred tax		
Origination and reversal of timing differences	(21)	69
Tax on profit on ordinary activities	(21)	(671)

(b) Factors affecting tax charge/(credit)

The tax credit for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%), the difference is explained below.

	2020 £'000	2019 £'000
Profit before taxation	2,615	2,276
Profit before taxation by rate of tax	497	432
Effects of:		
Expenses not deductible for tax purposes	-	61
Enhanced expenditure credit	-	8
Patent box adjustment	-	(22)
Capital allowances in excess of depreciation	(3)	(5)
Loss on disposal of fixed assets	(7)	-
Changes in provisions leading to a decrease in the tax charge	-	143
Adjustment to tax charge in respect of prior year	-	(740)
Group relief of losses generated by another UK group Company	(437)	(617)
Other differences	(50)	69
Total tax	-	(671)

10 Tax on profit (continued)

(c) Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% for the financial year beginning 1 April 2020 as previously enacted). This new law was substantively enacted on 17 March 2020.

As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. Deferred tax balances at the reporting date are measured at 19% (2019: 19%).

11 Intangible assets

	Acquired computer software
	£'000
Cost	
At 1 January 2020	186
Disposals	-
At 31 December 2020	186
Accumulated amortisation	
At 1 January 2020	186
Charge for the year	-
Disposals	-
At 31 December 2020	186
Net book value	
At 31 December 2019	-
At 31 December 2020	-

12 Tangible assets

	Right of Use Assets	Fixtures & fittings	Office equipment	Plant & machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2020	1,891	233	109	1,074	4	3,311
Derecognition of ROU	(1,612)	-	-	-	-	(1,612)
Additions	-	-	4	2	-	6
Disposals	-	(233)	(113)	(1,076)	(4)	(1,426)
At 31 December 2020	279	-	-	-	-	279
Accumulated depreciation						
At 1 January 2020	238	169	74	1,070	4	1,555
Charge for the year	242	2	16	2	-	261
Derecognition of ROU	(408)					(408)
Disposals	-	(171)	(90)	(1,072)	(4)	(1,337)
At 31 December 2020	72	-	-	-	-	72
Net book value						
At 31 December 2020	207	-	-	-	-	207
At 31 December 2019	1,653	64	35	4	-	1,756

The lease payments for the above right of use assets in the year totalled £304 (£'000).

13 Stocks

	2020	2019
	£'000	£'000
Raw materials	915	3,220
Finished goods	4,673	3,932
	5,588	7,152

Stock recognised in cost of sales during the year as an expense was £15.5 million (2019: £10.2 million). Inventories impaired during the year were £0.2 million (2019: £0.5 million). The amount of previous inventory write-downs reversed in the current year were £1.7 million (2019: £0.03 million). The closing inventory provision at 31 December 2020 is £1.2 million (2019: £2.7 million).

14 Debtors

Debtors: amounts due within one year	2020 £'000	2019 £'000
Trade debtors	7,647	1,510
Amounts owed by group undertakings	6,242	6,996
Corporation tax	0	96
Other taxation	53	161
Other debtors	894	19
Deferred taxation (note 15)	0	21
Prepayments and accrued income	179	148
	15,015	8,951

The amounts owed by group undertakings are non-interest bearing and repayable on demand.

The intercompany debtors relate to cash pool and other short-term debtors which settle in less than 12 months and historically have had no defaults. As these are short term in nature and settle any expected credit loss is immaterial and has not been recognised.

15 Deferred taxation

	Capital allowances £'000
At 1 January 2019	90
Charged to profit	(69)
At 31 December 2019	21
Deferred tax assets	21
Deferred tax liabilities	-
Net deferred tax at 31st December 2019	21
At 1 January 2020	21
Charged to profit	(21)
At 31 December 2020	-
Deferred tax assets	-
Deferred tax liabilities	-
Net deferred tax at 31st December 2020	-

16 Creditors

Creditors: amounts falling due within one year	2020 £'000	2019 £'000
Trade creditors	1,199	1,506
Amounts owed to group undertakings	420	738
Corporation tax	-	-
Other taxation and social security	69	74
Other creditors	26	52
Accruals	612	958
Provisions (refer note 19)	1,623	-
Lease liabilities (refer note 18)	300	200
	4,249	3,528

The amounts owed to group undertakings are non-interest-bearing and repayable on demand.

Creditors: amounts falling due after more than one year	2020 £'000	2019 £'000
Contract liabilities	2,214	1,849
Lease liabilities (refer note 18)	4	1,508
	2,218	3,357

In both 2020 and prior years, Hesco has been the beneficiary of several large contracts awarded in the Middle East. As a result, Hesco is required to take part in an offset programme, which aims to create economic value by encouraging foreign-owned companies to commit to invest in industrial capabilities and technology in the local territory. The value of the offset commitment is calculated as a percentage of the contract value awarded and can be satisfied by a variety of pre-agreed methods of investment.

The Company's offset commitment at 31 December 2020 stands at £25.7million (2019: £22.7 million) for which milestone obligations have not yet been agreed.

Once milestones have been agreed with the third party, if the Company defaults against any milestones set out in the offset plan, then cash payments totalling £2.2 million (2019: £1.9 million) may be required as alternative settlements.

17 Called up share capital

Allotted, authorised, called up and fully paid:

	2020 £'000	2019 £'000
125 (2019: 125) Ordinary shares of £1 each	-	-

The Company has one class of ordinary shares which carry voting rights but no right to fixed income.

18 Leasing

The Company leases a manufacturing and office site (property) and a van. The property contract period is less than five years and the van for less than five years. The Company is only a lessee and not a lessor for any leases.

The property leases contain extension and break options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. During the prior year the Company adopted IFRS 16, which changes the way leases are accounted for. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Lease payments associated with low-value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term. The total cash outflow for leases in 2020 was £0.3 million (2019: £0.4million).

Leases Under IFRS 16

At 1 January 2020 the lease liability recognised was £1.7 million. The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 6.54%.

During the financial year 2020, due to the restructuring, the Company decided not to take up the option to extend their lease at their existing manufacturing facilities. As a result of the Company exercising a break option on the lease, £1.2 million has been derecognised from the right of use asset and the lease liability at the year-end, relating to the amounts in respect of the lease post break date.

The balance sheet shows the following amounts relating to leases:

Right of use assets

	2020 £'000	2019 £'000
Land & buildings	199	1,640
Plant, machinery, equipment & vehicles.	8	13
	207	1,653

Lease liabilities

	2020 £'000	2019 £'000
Current	300	200
Non-current	4	1,508
	304	1,708

18 Leasing (continued)

Amounts recognised in the statement of profit or loss

	2020 £'000	2019 £'000
Depreciation charge of right-of-use assets	242	238
Interest expense	109	121
Expenses relating to low value & short-term leases	2	8

19 Provisions

	Onerous Contracts & Restructuring £'000
Opening Balance at 1 January 2020	-
Additions	2,658
Utilised	- 1,035
Closing Balance at 31s December 2020	1,623

Included in 'Onerous contracts & restructuring' are the following:

During the year the decision was made to close the Hesco Leeds assembly site in the UK and transfer manufacturing activities to another Group facility in central Europe. This will allow manufacturing and assembly to be performed at the same facility. As a result of this move a restructuring provision was raised in the year and expenses relating to the site move were incurred. Costs within this provision include those associated with employee redundancies, transfer of equipment and inventory to the overseas facilities, and costs relating to site dilapidations.

20 Financial commitments

The Company has entered into the following bank guarantees:

	2020 £'000	2019 £'000
Performance bonds	1,848	1,047

On 11 December 2017 a fixed and floating charge over the assets of the Company was issued in favour of Cooperatieve Rabobank U.A.

The Company does not have any other financial commitments at the reporting date (2019: none).

21 Pension scheme

The Company contributes to a pension scheme of the defined contribution type for all eligible employees. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £91,324 (2019: £101,944).

Included in creditors is £15,359 (2019: £16,170) in respect of employee and employer contributions due to the scheme at the year end.

22 Dividends paid and proposed

During the year the Directors paid dividends of £nil (2019: £34.0 million). No further dividends are recommended.

23 Events after the reporting period

As noted above, the effect of the COVID-19 pandemic continues to have an impact on the Company and the global markets. The Company and Group has been able to adapt and continue working within the various country guidelines and rules. There have been no material adverse COVID-19 impacts after the reporting period to date. However due to the remaining uncertainty (e.g. around vaccination timetables globally, subsequent COVID-19 'waves' and future unknown COVID-19 mutations etc.) the Company cannot give any accurate or reliable estimates on the ultimate potential quantitative impacts currently. There are no other material events after the reporting period to disclose.

24 Ultimate parent Company

The Company's immediate parent company is Praesidiad Holding BVBA, a company registered in Belgium.

The ultimate parent company is CEP IV Participations S.a.r.l., SICAR, a company incorporated in Luxembourg.

Praesidiad Group Limited is the parent undertaking of the smallest group to consolidate these financial statements and Erpe Topco Limited, a company registered in England & Wales, is the parent undertaking of the largest group to consolidate these financial statements. These Group financial statements are available from the registered office, York House, 221 Pentonville Road, London N1 9UX.

25 Ultimate controlling party

The Company's ultimate controlling party is CEP IV Participations S.a.r.l., SICAR.

26 Related party transactions

The Company is a wholly owned subsidiary undertaking of Praesidiad Group Limited. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.