Hydrasun Acquisitions Limited

Directors' report and financial statements

Registered number 06338822

31 March 2013

Contents

Officers and professional advisers

Directors

G J Doherty
R S Drummond
R McAlpine

Secretary

G J Doherty

Registered office

McGrigors
5 Old Bailey
London
EC4M 7BA

Bankers

Lloyds TSB Bank Plc
3-5Albyn Place
Aberdeen
AB10 1PY

Solicitors

Burness Paull & Williamsons LLP
Union Plaza
Union Wynd
Aberdeen
AB10 1SL

Auditor

KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2013

Principal activities

The company's principal activity is to act as an intermediate holding company

On 2 May 2013, following a review of the corporate structure of the Hydrasun Group, the directors made the decision to voluntarily liquidate Hydrasun Acquisitions Limited and transfer all assets and liabilities to Hydrasun Finance Limited at net book value, to simplify the group structure As the directors do not intend to acquire a replacement trade, following the completion of obligations under existing contracts, they have not prepared the financial statements on a going concern basis It is anticipated that the remaining activities will cease within 12 months of the date of these financial statements The company does not have any employees and does not owe any debt to third parties

Results and dividends

Hydrasun Acquisitions Limited recorded an operating loss of £26,000 for the financial year *(2012 £18,000)* The loss for the financial year was £3,519,000 *(2012 £2,897,000)* The directors do not recommend the payment of a dividend *(2012 £nil)*

Directors

The directors who held office during the year were as follows

G J Doherty
R S Drummond
R McAlpine

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

R S Drummond
Director

Gateway Business Park
Moss Road
Aberdeen
AB12 3GQ

21 June 2013

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 UK 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 As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditor's report to the members of Hydrasun Acquisitions Limited

We have audited the financial statements of Hydrasun Acquisitions Limited for the year ended 31 March 2013 set out on pages 5 to 13 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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

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 website at www frc org uk/auditscopeukprivate

Opinion on 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 March 2013 and of its loss for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on 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

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

Emphasis of matter – non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note

Duncan MacAskill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

24 June 2013

Profit and Loss Account

for the year ended 31 March 2013

	Note	**2013** **£000**	2012 £000
Administrative expenses		**(26)**	(18)
Operating loss	*2-4*	**(26)**	(18)
Interest receivable	*5*	**742**	713
Interest payable and similar charges	*6*	**(4,235)**	(3,592)
Loss on ordinary activities before taxation		**(3,519)**	(2,897)
Tax on loss on ordinary activities	*7*	**-**	-
Loss for financial year	*13*	**(3,519)**	(2,897)

The company had no recognised gains or losses other than the results for the financial years reported above

Balance Sheet
at 31 March 2013

	Note	2013		2012	
		£000	£000	£000	£000
Fixed assets					
Investments	*8*		**54,898**		54,898
Current assets					
Debtors (including £nil *(2012 £18,540,000)* due after more than one year)	*9*	**19,283**		18,540	
Cash at bank and in hand		**19**		-	
		19,302		18,540	
Creditors: amounts falling due within one year	*10*	**(95,433)**		(1,442)	
Net current (liabilities)/assets			**(76,131)**		17,098
Total assets less current liabilities			**(21,233)**		71,996
Creditors: amounts falling due after more than one year	*11*		**-**		(89,710)
Net liabilities			**(21,233)**		(17,714)
Capital and reserves					
Called up share capital	*12*		**-**		-
Profit and loss account	*13*		**(21,233)**		(17,714)
Shareholder's deficit	*14*		**(21,233)**		(17,714)

These financial statements were approved by the board of directors on 21 June 2013 and were signed on its behalf by

R S Drummond
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

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

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own publically available financial statements

As the Company is a wholly owned subsidiary of Hydrasun Holdings Limited the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Going Concern

In previous years, the financial statements have been prepared on a going concern basis On 2 May 2013, the directors took the decision to transfer all assets and liabilities to Hydrasun Finance Limited at net book value As the directors do not intend to continue the business, they have not prepared the financial statements on a going concern basis It is anticipated that the remaining activities will cease within 12 months of the date of these financial statements No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements

Investments

Investments in subsidiary undertakings are stated at cost less amounts written off

Impairment of fixed assets

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets

Calculation of recoverable amount
The recoverable amount of fixed assets is the greater of their net realisable value and value in use In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs

Notes *(continued)*

1 Accounting policies *(continued)*

Reversals of impairment
For fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss is recognised in the current period

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholder's funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period

Derivative instruments

The company uses derivative financial instruments to reduce the exposure to interest rate movements The company does not hold or use derivative financial instruments for speculative purposes

For an interest rate swap to be treated as a hedge the interest must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa Interest differentials under these swaps are recognised by adjusting new interest payable over the periods of the contracts

Derivative financial instruments are not fair valued at the balance sheet date and unhedged gains and losses are recognised in the profit and loss account on settlement

Notes *(continued)*

2 Notes to the profit and loss account

	2013 £000	2012 £000
Profit on ordinary activities before taxation is stated after charging		
Auditor's remuneration audit of these financial statements	**2**	2
Other tax advisory services	**21**	-

Auditor's remuneration in the current and prior year was borne by another group company, Hydrasun Holdings Limited

3 Remuneration of directors

Directors' remuneration in both the current and prior years was borne by another group company

4 Staff numbers and costs

The company had no employees in the current and prior years

5 Interest receivable

	2013 £000	2012 £000
Intercompany interest	**742**	713

6 Interest payable and similar charges

	2013 £000	2012 £000
Interest on bank loan	**653**	849
Amortisation of debt issue costs	**893**	325
Interest on loan from group undertaking	**2,689**	2,418
	4,235	3,592

Notes *(continued)*

7 Taxation

Analysis of charge in year

	2013 £000	2012 £000
UK corporation tax		
Current tax on income for the year	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2012 higher)* than the standard rate of corporation tax in the UK 24% *(2012 26%)* The differences are explained below

	2013 £000	2012 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(3,519)	(2,897)
Current tax at 24% *(2012 26%)*	(845)	(753)
Effects of		
Intercompany interest not deductible for tax purposes	519	540
Group relief surrendered for nil consideration	326	213
Total current tax charge (see above)	-	-

Factors affecting the future tax charge

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge

Notes *(continued)*

8 Investments

	Shares in subsidiary undertakings £000
Cost	
At beginning and end of year	54,898

Company	Country of incorporation and operation	Activity	Proportion of ordinary shares held
Hydrasun Group Limited	Scotland	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun Limited	Scotland	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun Rapid Solutions Limited*	Scotland	Hydraulic equipment manufacture, supply and associated services	60%
Hydrasun Instrumentation BV*	Netherlands	Hydraulic equipment distribution	100%
Hydrasun (Caspian Sea) Limited*	Scotland	Hydraulic equipment supply and associated services in the Caspian region	100%
Hydrasun AMC Limited*	Scotland	Research and development of innovative subsea products	100%
Hydrasun IFP Limited*	Scotland	Hydraulic engineering services	100%
Hydrasun Kazakhstan LLP*	Kazakhstan	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun Remaq Mangueiras e Conexões Ltda*	Brazil	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun FZE*	United Arab Emirates	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun Rapid Solutions LLC*	Azerbaijan	Hydraulic equipment manufacture, supply and associated services	50%

* Held by subsidiary

9 Debtors

	2013 £000	2012 £000
Amounts owed by group undertakings	**19,283**	18,540

Debtors include amounts owed by group undertakings of £nil *(2012 £18,540,000)* due after more than one year Interest is charged on amounts owed by group undertakings at 4% per annum

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Bank loans (see note 11)	-	1,434
Bank overdraft	-	2
Other creditors	-	6
Amounts owed to parent companies	74,930	-
Amounts owed to subsidiary undertakings	20,503	-
	95,433	1,442

11 Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Bank loans	-	25,844
Amounts owed to parent company	-	53,981
Amounts owed to subsidiary undertakings	-	9,885
	-	89,710

	2013 £000	2012 £000
Debt which comprises bank loans can be analysed as falling due		
Within one year	-	1,759
In the second to fifth year	-	26,413
	-	28,172
Unamortised finance costs due within one year	-	(325)
Unamortised finance costs due in the second to fifth year	-	(569)
	-	27,278

During the year the company repaid all outstanding bank loans, interest accrued and wrote off the remaining debt issue costs that had been capitalised following the injection of cash through a new inter-company loan from an indirect parent company All securities have now been released

The original term loan facility 'A' amounted to £18,000,000 and original loan facility 'B' amounted to £20,000,000 Loan facility 'A' was repayable in half yearly instalments on 30 June and 31 December each year, concluding on 31 December 2014 Loan facility 'B' was repayable in full on 31 December 2015

The loan facilities bore interest at rates of 2% (A facility) and 2 5% (B facility) above LIBOR and were secured by certain of the group's property, plant and machinery and a floating charge over the assets of the group

Debt issue costs incurred, initially amounting to £2,138,000 were being amortised over 86 5 months to 31 December 2014, being the loan facility 'A' final repayment date

Notes *(continued)*

12 Called up share capital

	2013	2012
	£	£
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2

13 Reserves

	Profit and loss account
	£000
At 1 April 2012	(17,714)
Loss for the financial year	(3,519)
At 31 March 2013	**(21,233)**

14 Reconciliation of movements in shareholder's deficit

	2013	2012
	£000	£000
Loss for the financial year	**(3,519)**	(2,897)
Net increase in shareholder's deficit	**(3,519)**	(2,897)
Opening shareholder's deficit	**(17,714)**	(14,817)
Closing shareholder's deficit	**(21,233)**	(17,714)

15 Contingent liabilities

The company had provided cross guarantees in the form of a floating charge over the assets of the company to its previous bankers in respect of borrowings of all UK incorporated subsidiaries of Hydrasun Holdings Limited, the company's ultimate parent undertaking These were repaid in full on the 14 March 2013 The contingent liability to the company at 31 March 2013 amounted to £nil *(2012 £15,979,000)*

16 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Hydrasun Group Holdings Limited which is the ultimate parent company incorporated in the United Kingdom

The largest group in which the results of the company are consolidated is that headed by Hydrasun Holdings Limited The consolidated financial statements of Hydrasun Holdings Limited are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

No other group accounts include the results of the company