

**Registered number: 07364156**

**HYDRO INDUSTRIES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

FRIDAY



\*A6MAR6OP\*

A14

29/12/2017

#268

COMPANIES HOUSE

---

**HYDRO INDUSTRIES LIMITED**

**COMPANY INFORMATION**

**Directors**

Mr W Preece  
Mr R N Lovering  
Mr D Pickering

**Registered number**

07364156

**Registered office**

Stradey Park Business Centre  
South Mwrwg Road  
Llangennech  
Llanelli  
Carmarthenshire  
SA14 8YP

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Swansea University  
Institute of Life Science 1  
Singleton Park Campus  
Swansea  
SA2 8PP

## **HYDRO INDUSTRIES LIMITED**

### **CONTENTS**

	<b>Page</b>
<b>Directors' Report</b>	<b>1 - 2</b>
<b>Independent Auditors' Report to the Members of Hydro Industries Limited</b>	<b>3 - 5</b>
<b>Statement of Comprehensive Income</b>	<b>6</b>
<b>Balance Sheet</b>	<b>7</b>
<b>Statement of Changes in Equity</b>	<b>8</b>
<b>Notes to the Financial Statements</b>	<b>9 - 22</b>

## **HYDRO INDUSTRIES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017**

The directors present their annual report and the audited financial statements of Hydro Industries Limited (the "company") for the year ended 31 March 2017.

#### **Principal activity**

Hydro Industries Limited is a water based technology company, designing, building and operating effective solutions for water treatment.

#### **Directors**

The directors who served during the year and up to the date of signing the financial statements were:

Mr W Preece  
Mr R N Lovering  
Mr D Pickering

#### **Going concern**

The company has prepared forecasts to assess its cash flows and funding requirements for the foreseeable future making assumptions on trading and working capital. In formulating the assumptions the company has included the impact of recently secured orders which will provide a significant cash contribution and also performed sensitivity analysis to assess the impact on cash flows. Based on the assessments undertaken the directors consider the company has adequate resources to continue to trade for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

#### **Political contributions**

During the year, the company made political party donations of £20,000 (2016: £Nil).

#### **Directors' responsibilities statement**

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 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.

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.

**HYDRO INDUSTRIES LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2017**

**Disclosure of information to auditors**

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.

**Post balance sheet events**

Loans of £800,000 were received subsequent to the year end from investors and shareholders with an additional £100,000 facility made available for drawdown.

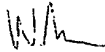
**Independent auditors**

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

**Small companies exemption**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 21 July 2017 and signed on its behalf.



**Mr W Preece**  
Director

## **HYDRO INDUSTRIES LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYDRO INDUSTRIES LIMITED**

#### **Report on the financial statements**

---

##### **Our opinion**

In our opinion, Hydro Industries Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

---

##### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 March 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice) applicable to smaller entities.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

---

##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of an audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

---

##### **Other matters on which we are required to report by exception**

---

###### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

## **HYDRO INDUSTRIES LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYDRO INDUSTRIES LIMITED**

---

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

---

#### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

---

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

---

##### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 1, 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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

---

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence; forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls; substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether this report includes the disclosures required by applicable legal requirements.

**HYDRO INDUSTRIES LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYDRO INDUSTRIES LIMITED**

---

**Other matter**

---

The financial statements for the year ended 31 March 2016, forming the corresponding figures of the financial statements for the year ended 31 March 2017, are unaudited.

*Ian Clarke*

Ian Clarke (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Swansea

Date: 21 July 2017



# HYDRO INDUSTRIES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £	Unaudited 2016 £
Turnover	4	1,476,356	1,081,083
Cost of sales		(1,023,519)	(590,989)
<b>Gross profit</b>		<b>452,837</b>	<b>490,094</b>
Administrative expenses		(3,319,179)	(3,371,092)
Other operating income	5	191,532	41,985
<b>Operating loss</b>		<b>(2,674,810)</b>	<b>(2,839,013)</b>
Interest receivable and similar income		1,957	1,940
Interest payable and similar expenses	11	(995,036)	(559,833)
<b>Loss before tax</b>		<b>(3,667,889)</b>	<b>(3,396,906)</b>
Tax on loss	12	618,652	-
<b>Loss for the financial year</b>		<b>(3,049,237)</b>	<b>(3,396,906)</b>
<b>Total comprehensive expense for the year</b>		<b>(3,049,237)</b>	<b>(3,396,906)</b>

The notes on pages 9 to 22 form part of these financial statements.

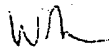
**HYDRO INDUSTRIES LIMITED**  
**REGISTERED NUMBER: 07364156**

**BALANCE SHEET**  
**AS AT 31 MARCH 2017**

	Note	2017 £	Unaudited 2016 £
<b>Fixed assets</b>			
Tangible assets	13	289,151	528,607
Investments	14	2,026	2,026
<b>Current assets</b>			
Stocks	15	3,396,856	3,205,652
Debtors	16	1,389,656	440,862
Cash at bank and in hand	17	443,812	350,150
		<u>5,230,324</u>	<u>3,996,664</u>
Creditors: amounts falling due within one year	18	(916,731)	(762,733)
<b>Net current assets</b>		<u>4,313,593</u>	<u>3,233,931</u>
<b>Total assets less current liabilities</b>		<u>4,604,770</u>	<u>3,764,564</u>
Creditors: amounts falling due after more than one year	19	(13,364,180)	(9,474,737)
<b>Net liabilities</b>		<u>(8,759,410)</u>	<u>(5,710,173)</u>
<b>Capital and reserves</b>			
Called up share capital	22	572	572
Share premium account	23	1,999,963	1,999,963
Capital redemption reserve	23	465	465
Profit and loss account	23	(10,760,410)	(7,711,173)
<b>Total shareholders' deficit</b>		<u>(8,759,410)</u>	<u>(5,710,173)</u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 July 2017 by:



**Mr W Preece**  
Director

The notes on pages 9 to 22 form part of these financial statements.

# HYDRO INDUSTRIES LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total shareholders' deficit £
At 1 April 2015	1,000	-	-	(4,314,267)	(4,313,267)
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(3,396,906)	(3,396,906)
Total comprehensive expense for the year	-	-	-	(3,396,906)	(3,396,906)
Contributions by and distributions to owners					
Purchase of own shares	-	-	465	-	465
Shares issued during the year	37	1,999,963	-	-	2,000,000
Shares cancelled during the year	(465)	-	-	-	(465)
Total transactions with owners	(428)	1,999,963	465	-	2,000,000
At 1 April 2016 (unaudited)	572	1,999,963	465	(7,711,173)	(5,710,173)
Comprehensive expense for the year					
Loss for the financial year	-	-	-	(3,049,237)	(3,049,237)
Total comprehensive expense for the year	-	-	-	(3,049,237)	(3,049,237)
At 31 March 2017	572	1,999,963	465	(10,760,410)	(8,759,410)

## **HYDRO INDUSTRIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

#### **1. General Information**

Hydro Industries Limited is a water based technology company, designing, building and operating effective solutions for water treatment.

The company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is Stradey Business Centre South Mwrwg Road, Llangennech, Llanelli, Carmarthenshire, SA14 8YP.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 29.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The prior year comparative financial information for the year ended 31 March 2016 is unaudited.

The company is exempt from preparing consolidated accounts on the basis it is a parent of a small group under the Companies Act 2006.

The following principal accounting policies have been applied:

##### **2.2 Going concern**

The company has prepared forecasts to assess its cash flows and funding requirements for the foreseeable future making assumptions on trading and working capital. In formulating the assumptions the company has included the impact of recently secured orders which will provide a significant cash contribution and also performed sensitivity analysis to assess the impact on cash flows. Based on the assessments undertaken the directors consider the company has adequate resources to continue to trade for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

##### **2.3 Cash flow statement**

The company qualifies as a small company under the provisions of the Companies Act 2006. As a consequence, it is exempt from the requirements to publish a Statement of Cash Flows.

## **HYDRO INDUSTRIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

#### **2. Accounting policies (continued)**

##### **2.4 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

###### **Sale of goods**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

###### **Rendering of services**

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### **2.5 Tangible assets**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 10 - 33% Straight Line
Motor vehicles	- 25% Straight Line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

## **HYDRO INDUSTRIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

#### **2. Accounting policies (continued)**

##### **2.6 Valuation of Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

##### **2.7 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads if appropriate.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### **2.8 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### **2.9 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### **2.10 Financial Instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

## **HYDRO INDUSTRIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

#### **2. Accounting policies (continued)**

##### **2.10 Financial Instruments (continued)**

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **2.11 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### **2.12 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### **2.13 Operating leases: the company as lessee**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

##### **2.14 Pensions**

###### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

##### **2.15 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

##### **2.16 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

## HYDRO INDUSTRIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

#### 2. Accounting policies (continued)

##### 2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *(i) Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 2.5 for the useful economic lives for each class of assets.

##### *(ii) Inventory provisioning*

The company assesses the requirement for inventory provision and considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 15 for the net carrying amount of the inventory and associated provision.

##### *(iii) Impairment of debtors*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.



# HYDRO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 4. Turnover

The whole of the turnover is attributable to the company's principal activity of designing, building and operating effective solutions for water treatment.

Analysis of turnover by country of destination:

	2017 £	Unaudited 2016 £
United Kingdom	122,664	108,108
United Arab Emirates	1,075,000	-
Rest of the world	278,692	972,975
	<u>1,476,356</u>	<u>1,081,083</u>

### 5. Other operating income

	2017 £	Unaudited 2016 £
Other operating income	<u>191,532</u>	<u>41,985</u>

### 6. Operating loss

The operating loss is stated after charging:

	2017 £	Unaudited 2016 £
Depreciation of tangible fixed assets	170,357	172,238
Operating lease rentals	6,276	12,773
Impairment of trade debtors	<u>5,000</u>	<u>-</u>

### 7. Auditors' remuneration

	2017 £	Unaudited 2016 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>16,000</u>	<u>-</u>

# HYDRO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 8. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	Unaudited 2016 No.
Directors	3	3
Admin	3	3
Operating Staff	23	23
	<u>29</u>	<u>29</u>

### 9. Directors' remuneration

	2017 £	Unaudited 2016 £
Directors' emoluments	290,489	223,833
Company contributions to defined contribution pension schemes	<u>2,478</u>	<u>-</u>

During the year retirement benefits were accruing to 2 directors (2016 - Nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £164,281 (2016 - £164,900).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,239 (2016 - £Nil).

### 10. Key management personnel

The directors consider key management to be the statutory directors of the company.

### 11. Interest payable and similar expenses

	2017 £	2016 £
Loan interest payable	983,385	550,870
Finance leases and hire purchase contracts	<u>11,651</u>	<u>8,963</u>
	<u>995,036</u>	<u>559,833</u>

# HYDRO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 12. Tax on loss

	2017 £	Unaudited 2016 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	(618,652)	-
<b>Factors affecting tax charge for the year</b>		
The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 20.0% (2016 - 20.0%). The differences are explained below:		
	2017 £	Unaudited 2016 £
Loss on ordinary activities before tax	(3,667,889)	(3,398,906)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.0% (2016 - 20.0%)	(733,578)	(679,381)
Effects of:		
Expenses not deductible	28,350	38,604
Adjustments to tax charge in respect of prior periods	(618,652)	-
Deferred tax not provided	705,228	640,777
<b>Total tax charge for the year</b>	<b>(618,652)</b>	<b>-</b>

A net deferred tax asset of £1.4 million (2016: £1.5 million) has not been recognised due to the uncertainty as to when the company's tax trading losses will be utilised.

### Factors that may affect future tax charges

The July 2015 Budget Statement announced changes (which were subsequently enacted) to the UK Corporation tax regime which will reduce the main rate of Corporation Tax to 19% from 1 April 2017 and 18% from 1 April 2020. A further change was announced in the March 2016 Budget to further reduce the Corporation Tax rate to 17% by 1 April 2020, which has been substantively enacted.

Accordingly, the unprovided deferred tax balance has been calculated using a rate of 17% (2016: 18%).

# HYDRO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 13. Tangible assets

	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>			
At 1 April 2016 (unaudited)	884,531	208,186	1,092,717
Additions	8,759	70,000	78,759
Disposals	(208,939)	(138,273)	(347,212)
At 31 March 2017	<u>682,351</u>	<u>139,913</u>	<u>822,264</u>
<b>Accumulated depreciation</b>			
At 1 April 2016 (unaudited)	522,437	41,673	564,110
Charge for the year	118,946	51,411	170,357
Disposals	(170,282)	(31,072)	(201,354)
At 31 March 2017	<u>471,101</u>	<u>62,012</u>	<u>533,113</u>
<b>Net book value</b>			
At 31 March 2017	<u>211,250</u>	<u>77,901</u>	<u>289,151</u>
At 31 March 2016 (unaudited)	<u>362,094</u>	<u>166,513</u>	<u>528,607</u>

### 14. Investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 April 2016 (unaudited)	2,026
At 31 March 2017	<u>2,026</u>
<b>Net book value</b>	
At 31 March 2017	<u>2,026</u>
At 31 March 2016 (unaudited)	<u>2,026</u>

Details of subsidiaries can be found in note 30.

# HYDRO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 15. Stocks

	2017 £	Unaudited 2016 £
Raw materials	184,590	-
Finished goods	3,212,266	3,205,652
	<u>3,396,856</u>	<u>3,205,652</u>

Stock recognised in cost of sales during the year as an expense was £1,023,519 (2016 - £590,989).

An impairment loss of £Nil (2016 - £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

### 16. Debtors

	2017 £	Unaudited 2016 £
Trade debtors	242,149	257,011
Other debtors	685,479	168,850
Prepayments and accrued income	8,335	15,001
Corporation tax receivable	453,693	-
	<u>1,389,656</u>	<u>440,862</u>

Trade debtors is stated net of an impairment provision of £Nil (2016: £10,000).

### 17. Cash and cash equivalents

	2017 £	Unaudited 2016 £
Cash at bank and in hand	<u>443,812</u>	<u>350,150</u>

# HYDRO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 18. Creditors: Amounts falling due within one year

	2017 £	Unaudited 2016 £
Trade creditors	197,784	534,997
Other taxation and social security	68,658	48,031
Obligations under finance lease and hire purchase contracts	54,828	48,704
Other creditors	13,770	-
Accruals and deferred income	581,691	131,001
	<u>916,731</u>	<u>762,733</u>

### 19. Creditors: Amounts falling due after more than one year

	2017 £	Unaudited 2016 £
Other loans	13,364,180	9,398,607
Net obligations under finance leases and hire purchase contracts	-	76,130
	<u>13,364,180</u>	<u>9,474,737</u>

Loans include convertible loan notes repayable in 2021 (£9,000,000) and other loans payable to Hydro Singapore PTE Limited (£4,364,180) which are repayable on 1 April 2019. Interest on all loans is charged at a rate of 8.2%. The loan notes are convertible to shares in the event of a sale of the company.

### 20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £	Unaudited 2016 £
Within one year	54,828	48,704
Between 1-2 years	-	76,130
	<u>54,828</u>	<u>124,834</u>

# HYDRO INDUSTRIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 21. Financial instruments

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>927,628</u>	<u>425,861</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(14,212,253)</u>	<u>(10,189,439)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise other loans, trade creditors, obligations under finance lease and hire purchase contracts, other creditors and accruals.

### 22. Called up share capital

	2017 £	Unaudited 2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
NII (2016: 465) Ordinary A shares of £1 each	-	465
NII (2016: 107) Ordinary B shares of £1 each	-	107
44,730 (2016: Nil) Ordinary A shares of £0.01 each	447	-
12,470 (2016: Nil) Ordinary B shares of £0.01 each	125	-
	<u>572</u>	<u>572</u>

On 20 September 2016 465 Ordinary A shares of £1 each were subdivided into 46,500 Ordinary A shares of £0.01 each and 107 Ordinary B shares of £1 each were subdivided into 10,700 Ordinary B shares of £0.01 each.

On 20 September 2016 1,770 Ordinary A shares of £0.01 were reclassified as 1,770 Ordinary B shares.

All the classes of Ordinary shares carry equal rights with the exception that Ordinary A shares also carry the right to appoint a director.

## HYDRO INDUSTRIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

#### 23. Reserves

##### Share premium account

The share premium account represents consideration received in respect of the issuance of share capital in excess of the nominal value of that share capital, less any costs directly incurred in connection with the issue.

##### Capital redemption reserve

The capital redemption reserve was created following a repurchase of shares by the company.

##### Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

#### 24. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contribution payable by the company to the scheme and amounted to £23,714 (2016: £Nil).

#### 25. Commitments under operating leases

At 31 March the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	Unaudited 2016 £
Not later than 1 year	92,707	92,707
Later than 1 year and not later than 5 years	278,121	278,121
Later than 5 years	278,121	370,828
	<u>648,949</u>	<u>741,656</u>

#### 26. Related party transactions

During the year R&A Properties LLP, a company owned by Mr W Preece, Mr David Pickering and Mr RN Lovering, has provided facility services to Hydro Industries Limited. Purchases of £227,482 (2016: £189,623) have been made from R&A Properties LLP during the year, with a creditor of £33,189 (2016: £30,895 at the year end).

ETS Limited is a telecommunications company owned by Mr RN Lovering. Purchases of £59,862 (2016: £78,803) have been made from ETS Limited during the year, with a creditor owed as at 31 March 2017 of £15,488 (2016: £15,636), included in other creditors in the creditors note.

Directors loans receivable amounted to £25,635 at 31 March 2017 (2016: £114,858).

#### 27. Controlling party

The directors do not consider there to be an ultimate controlling party.



## HYDRO INDUSTRIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

#### 28. Post balance sheet events

Loans of £800,000 were received subsequent to the year end from investors and shareholders with an additional £100,000 facility made available for drawdown.

#### 29. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

#### 30. Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of Incorporation	Class of shares	Holding	Principal activity
Hydro Utilities Limited*	England and Wales	Ordinary	100 %	Dormant
Hydro Oil and Gas Limited*	England and Wales	Ordinary	100 %	Dormant
Hydro Environmental Systems Limited	England and Wales	Ordinary	100 %	Dormant
Hydro Strata Limited*	England and Wales	Ordinary	100 %	Dormant
Hydro Marine & Salvage Limited*	England and Wales	Ordinary	100 %	Dormant
Hydro Industries PTE Limited	Singapore	Ordinary	100 %	Intermediate holding company
Aquapurum Private Water Limited	India	Ordinary	100 %	Intermediate holding company

The aggregate of the share capital and reserves as at 31 March 2017 (unless otherwise indicated) and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves	Profit/(loss)
	£	£
Hydro Utilities Limited	100	-
Hydro Oil and Gas Limited	100	-
Hydro Environmental Systems Limited	100	-
Hydro Strata Limited	100	-
Hydro Marine & Salvage Limited	100	-
Hydro Industries PTE Limited	279,000	(31,000)
Aquapurum Private Water Limited	(180,000)	(177,000)

The information above is provided for the year ended 31 March 2017 except for Aquapurum Private Water Limited which is for the year ended 31 March 2016, as the 2017 information is not yet available.

\*Dissolved post year end.