

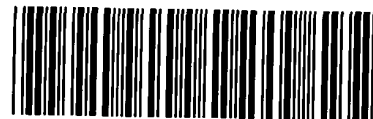
Hydrasun Group Holdings Limited

**Annual report and consolidated
financial statements**

Registered number 08368958

31 March 2017

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Officers and professional advisers

Directors

R S Drummond
G J Doherty
B Dickie
R Abdeljaber
J Tanner
S Bhilotra

Secretary

G J Doherty

Registered office

48 Grosvenor Street
London
W1K 3HW

Bankers

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

Solicitors

Burness Paull LLP
Union Plaza
Union Wynd
Aberdeen
AB10 1SL

Auditor

KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB

Strategic report

Principal activities

Hydrasun is a leading provider of a wide range of fluid transfer, power and control solutions to the Energy industry.

The principal services provided include the design, engineering, manufacture, assembly and testing of hydraulic equipment, control panels, fluid connectors, multi-line hydraulic and electro-hydraulic control umbilicals for the Oil and Gas industry, along with a range of associated inspection and integrity management services. Outwith Oil and Gas, other important market sectors are Petrochemical, Marine and Alternative and Renewable Energy.

A key aspect of our overall strategy is the continuous development of our specialist products, services and solutions and our ability to combine these to offer integrated solutions for our customers. As part of this we are also continuously developing our associated capabilities and capacity in other key areas of the business including Engineering, Supply Chain management (both operational and strategic), and “in house” manufacturing. This is in response to, and in service of the key needs and requirements of our customers, with particular emphasis on speed and security of supply, quality, reliability, standards of service and overall value for money.

Financial Results

The consolidated financial statements of Hydrasun Group Holdings Limited and its subsidiary undertakings (together “the Group”) show turnover for the year ended 31 March 2017 of £61.9m (2016: £77.7m). Earnings before interest, tax, depreciation and amortisation and exceptional non-recurring costs were £7.2m (2016: £9.6m).

The net asset position of the group was £98.5m (2016: £103.8m) after excluding shareholder loan notes and associated interest. The cash position was £11.0m (2016: £6.1m) after repayment of £1.8m of bank financing.

Business Review

The year to 31 March 2017 was challenging for the Group, as a direct result of prevailing market conditions, the impact of the lower oil price and our customer’s reaction and response to these. That said, the overall operational performance of the Group was strong. In particular, our safety, delivery and overall customer service standards and performance remained high and our management discipline, effectiveness and overall performance on margins, working capital and cash flow were also strong. The demand for the Group’s products, services and solutions, whilst adversely impacted by market conditions, held up reasonably well within certain areas, including certain key segments such as integrity management services, specialist hydraulic solutions and applications (particularly for wellhead control and well intervention activities) and fluid power and process control solutions. Outwith Oil and Gas, trading held up well in the broader industrial markets as supported by the group’s Glasgow and Teesside operations.

Overall sales were approx. 20% lower than the previous year, reflecting the impact of the reduced oil price on the company’s core markets. The Group however, still has a substantial order book and “pipeline” of future opportunities. The directors are encouraged by the fact that both of these leading indicators increased in the last few months of the financial year. Further internationalisation of the business and the development of specialist products, services and bespoke integrated solutions which are complementary to its established core product offering remain key parts of the Group’s strategy. In this regard and despite the challenging market conditions, the Group continued to achieve further progress, development and market penetration in a number of key target international Oil & Gas regions including the Caspian region, West Africa and Gulf of Mexico, and whilst overall international sales are down on the previous year, they still represent approx. 34% of overall turnover, which is 2% higher than the previous year.

The company has developed and patented, a new light-weight, neutrally buoyant and load bearing flexible hose to be used for well intervention and emergency response (“Interventor”) and is pleased with its successful introduction to the market. The company has also developed a small bore version of this hose, which has proved to be particularly effective in flowline de-blocking and cleaning operations.

Strategic report (*continued*)

Business review (*continued*)

The Group also achieved further progress in the development and enhancement of its specialist value added services, with particular emphasis on inspection and integrity management services, the design and manufacture of specialist connectors for a number of operationally critical applications and the provision of engineering and technical services in the development of bespoke products and integrated hydraulic solutions in key applications including well intervention, subsea emergency response and decommissioning. In recognition of the further growth potential within these areas, the Group continues to invest in its engineering and technological capabilities in order to further accelerate the development of other products, solutions and services currently under development. In addition to this, the Group is also making good progress in positioning itself for further penetration and expansion into new market segments outwith Oil and Gas. These include Hydrogen Fuel Cell Technologies, Wind Turbines and the development of Augmented Virtual Reality Technologies for use in industrial applications.

UK North Sea Operations continue to be the largest single operating region and the Group further maintained its strong market position and its strong business relationships with all of its strategic “Blue Chip” customers in the region. These customers also provide significant opportunities for further market penetration and expansion in other key international locations.

The directors consider overall financial metrics, HSEQ, delivery performance, customer satisfaction, supplier performance and a range of other important operational measures to be key performance indicators in their ability to monitor the Group’s strategic and operational effectiveness. The Group operates to the highest standards within all areas of HSEQ. This includes operating to the ISO 9001:2000 Quality Management Standard, the OHSAS 18001 safety management standard, and the ISO 14001:2004 Environmental Management Standard, and the Group is fully accredited to all three of these. In addition to this, the Group closely monitors customer perception and feedback regarding our overall performance. This is done in accordance with the “First Point Assessment” (FPAL) system, which is widely recognised and operated within the Oil and Gas industry.

The Group has also continued with the further development and strengthening of the management team and the wider organisation in general, with particular emphasis on sales and business development. Our Training and Competency Management System maintains its accreditation to the OPITO (Offshore Petroleum Industry Training Organisation) standard and our accreditation to the IIP (Investors in People) was successfully maintained. The effort and commitment of our employees has been a vital factor in the delivery of our performance and will remain so in the continuing development and growth of the business. The Board once again wishes to place on record its recognition and appreciation of the efforts and contributions made by all our employees in this regard.

Notwithstanding the adverse impact of the low oil price, prevailing market conditions and customer behaviour and actions in response to these, the directors are confident that the further progress with various key developments achieved by the Group in the period to 31 March 2017 will continue in the following year.

Principal risks and uncertainties

Financial instruments

The Group’s activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk

The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group monitors this position but does not ordinarily use foreign exchange forward contracts to hedge these exposures. Interest bearing short term assets and liabilities tend to be held at variable rates.

Credit risk

The Group’s principal financial assets are bank balances, cash and trade debtors. The Group’s credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances from doubtful receivables. The Group has no significant concentration of credit risk, with exposure spread over a number of customers. The credit risk on liquid funds is limited because the counterparties are banks with internationally recognised credit ratings.

Strategic report (*continued*)

Principal risks and uncertainties (*continued*)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long term and short term financing.

Signed on behalf of the board



R S Drummond
Director

48 Grosvenor Street
London
W1K 3HW

20 December 2017

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 March 2017.

Financial instruments

The Group sells to most of its clients on customary credit terms and is, as a result, exposed to the usual credit risk and cash flow risk associated with this form of trading. It manages this risk through its credit control procedures. The existence of these trade credit facilities does not expose the group to price risk or liquidity risk.

Employee communications and involvement

The Group recognises the importance of employee communications and involvement and places considerable emphasis on this. The Group is a member of Investors in People and operates in accordance with its standards and requirements. This includes a process of regular team briefings and quarterly communications briefings/presentations conducted by the directors. This is supplemented with a regular employee newsletter. In addition to this there are well established and effective arrangements at all branch locations for communication and consultation with employees. Continuous professional and personal development is actively promoted through the Group's communications processes and Performance Management System to enable employees to reach their full potential.

Political donations

During the current year the company made no political donations nor incurred any political expenditure.

Disabled employee policy

The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities; continues the employment of, and arranges appropriate training for, employees of the Group who have become disabled persons during the period when they were employed by the Group; and provides for the training, career development and promotion of disabled persons employed by the Group.

Environment

The Group is conscious of its environmental responsibilities and endeavours to minimise any impact on the environment through safe disposal of waste, recycling and reducing energy consumption, and is accredited with ISO 14001:2004 Environmental Management Standard. A number of KPI's and objectives and associated continuous improvement initiatives have been implemented accordingly.

Proposed dividend

The directors do not recommend the payment of a dividend (2016: nil).

Directors

The directors who held office during the period were as follows:

R S Drummond
G J Doherty
B Dickie
R Abdeljaber (resigned 6 June 2017)
J Tanner
J Pfeifer (resigned 28 November 2016)
S Bhilotra (appointed 25 November 2016)

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report *(continued)*

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

48 Grosvenor Street
London
W1K 3HW

20 December 2017

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 group and parent company and of the profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Hydrasun Group Holdings Limited

We have audited the financial statements of Hydrasun Group Holdings Limited for the year ended 31 March 2017 set out on pages 9 to 38. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *the Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 7, 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 group's and parent company's affairs as at 31 March 2017 and of the group's 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 Strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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 by the parent company, 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.

Paula Holland (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB

20 December 2017

Consolidated profit and loss account
for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	2	61,912	77,657
Cost of sales		(42,979)	(54,730)
Gross profit		18,933	22,927
Administrative expenses		(20,029)	(21,404)
Exceptional costs	4	-	(6,251)
Total administrative expenses		(20,029)	(27,655)
Operating loss		(1,096)	(4,728)
Interest payable and similar expenses		(19,489)	(19,689)
Exceptional costs		-	(194)
Interest payable and similar charges	7	(19,489)	(19,883)
Loss before taxation	3-6	(20,585)	(24,611)
Tax on loss	8	(238)	16
Loss after taxation		(20,823)	(24,595)
<i>Loss for the financial year attributable to:</i>			
Shareholders of the parent company		(21,171)	(24,723)
Non-controlling interests		348	128
Total loss for the financial year		(20,823)	(24,595)

Consolidated other comprehensive income
for the year ended 31 March 2017

		2017 £000	2016 £000
Loss for the financial year		(20,823)	(24,595)
Other comprehensive income/(expense)			
Exchange differences on the retranslation of net investments	22	50	(674)
Total comprehensive expense for the year		(20,773)	(25,269)
<i>Total comprehensive (expense)/income attributable to:</i>			
Shareholders of the parent company		(21,121)	(25,397)
Non-controlling interests		348	128
Total comprehensive expense for the year		(20,773)	(25,269)

Consolidated balance sheet

at 31 March 2017

	Note	2017	2016
		£000	£000
Fixed assets			
Goodwill	9	107,166	113,864
Other intangibles	9	89	51
Tangible assets	10	4,272	5,208
		<u>111,527</u>	<u>119,123</u>
Current assets			
Stocks	12	15,177	16,841
Debtors	13	12,575	13,968
Cash at bank and in hand		11,009	6,118
		<u>38,761</u>	<u>36,927</u>
Creditors: amounts falling due within one year	14	<u>(16,259)</u>	<u>(13,428)</u>
Net current assets		<u>22,502</u>	<u>23,499</u>
Total assets less current liabilities		<u>134,029</u>	<u>142,622</u>
Creditors: amounts falling due after more than one year	15	(35,543)	(38,577)
Provisions for liabilities	17	-	(226)
Total net assets employed		<u>98,486</u>	<u>103,819</u>
Financed by			
Shareholder loan notes, including rolled up interest and unamortised issue costs	16	161,998	146,315
Capital and reserves	16	161,998	146,315
Called up share capital	21	3	3
Share premium account		343	343
Profit and loss account		(64,423)	(43,302)
Total capital and reserves		<u>(64,077)</u>	<u>(42,956)</u>
Equity attributable to the parent's shareholders		<u>(64,077)</u>	<u>(42,956)</u>
Non-controlling interest		565	460
Total equity		<u>(63,512)</u>	<u>(42,496)</u>
Total financing		<u>98,486</u>	<u>103,819</u>

These financial statements were approved by the board of directors on 20 December 2017 and were signed on its behalf by:



R S Drummond
Director

Company balance sheet
at 31 March 2017

	<i>Note</i>	2017	2016
		£000	£000
Fixed assets			
Investments	11	240	240
Current assets			
Debtors	13	11,104	11,100
Creditors: amounts falling due within one year	14	(4)	-
Net current assets		11,100	11,100
Total assets less current liabilities		11,340	11,340
Creditors: amounts falling due after one year	16	(16,440)	(15,085)
Net liabilities		(5,100)	(3,745)
Capital and reserves			
Called up share capital	21	3	3
Share premium account		343	343
Profit and loss account		(5,446)	(4,091)
Total capital and reserves		(5,100)	(3,745)

These financial statements were approved by the board of directors on 20 December 2017 and were signed on its behalf by:



R S Drummond
Director

Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Profit & loss account £000	Total share- holder's equity £000	Non- controlling interests £000	Total equity £000
Balance at 1 April 2015	3	343	(17,905)	(17,559)	332	(17,227)
Total comprehensive expense for the period	-	-	(24,723)	(24,723)	128	(24,595)
Loss for the year	-	-	(24,723)	(24,723)	128	(24,595)
Other comprehensive expense (see note 22)	-	-	(674)	(674)	-	(674)
Total comprehensive income for the period	-	-	(25,397)	(25,397)	128	(25,269)
Balance at 31 March 2016	3	343	(43,302)	(42,956)	460	(42,496)

Consolidated Statement of Changes in Equity (continued)

	Called up share capital	Share premium account	Profit and loss account	Total share- holder's equity	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	3	343	(43,302)	(42,956)	460	(42,496)
Total comprehensive expense for the period						
Loss for the year	-	-	(21,171)	(21,171)	348	(20,823)
Other comprehensive income (see note 22)	-	-	50	50	-	50
Dividend paid	-	-	-	-	(243)	(243)
Total comprehensive loss for the period	-	-	(21,121)	(21,121)	105	(21,016)
Balance at 31 March 2017	3	343	(64,423)	(64,077)	565	(63,512)

Company Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	3	343	(2,602)	(2,256)
Total comprehensive expense for the period				
Loss for the year	-	-	(1,489)	(1,489)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the period	-	-	(1,489)	(1,489)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	3	343	(4,091)	(3,745)
	<hr/>	<hr/>	<hr/>	<hr/>

Company Statement of Changes in Equity *(continued)*

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2016	3	343	(4,091)	(3,745)
Total comprehensive expense for the period				
Loss for the year	-	-	(1,355)	(1,355)
Total comprehensive expense for the period	-	-	(1,355)	(1,355)
Balance at 31 March 2017	3	343	(5,446)	(5,100)

Consolidated cash flow statement
for the year ended 31 March 2017

	<i>Note</i>	2017 £000	2016 £000
Cash flows from operating activities			
Loss for the year		(20,823)	(24,595)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		8,031	7,918
Interest payable and similar expenses		19,489	19,883
Taxation		238	(16)
		<hr/>	<hr/>
		6,935	3,190
Decrease in trade and other debtors		1,442	7,410
Decrease in stocks		1,664	5,180
Increase/(decrease) in trade and other creditors		608	(4,140)
		<hr/>	<hr/>
Tax paid		(172)	(741)
		<hr/>	<hr/>
Net cash from operating activities		10,477	10,899
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of tangible fixed assets	10	(364)	(1,192)
Acquisition of intangible assets	9	(62)	(15)
		<hr/>	<hr/>
Net cash used in investing activities		(426)	(1,207)
		<hr/>	<hr/>
Cash flows from financing activities			
Payment of finance lease liabilities		(216)	(210)
Interest paid		(2,923)	(4,251)
Repayment of borrowings		(1,778)	(3,960)
Dividends paid to non-controlling interests by subsidiaries		(243)	-
		<hr/>	<hr/>
Net cash used in financing activities		(5,160)	(8,421)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		4,891	1,271
Cash and cash equivalents at 1 April		6,118	4,847
		<hr/>	<hr/>
Cash and cash equivalents at 31 March		11,009	6,118
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Hydrasun Group Holdings Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The directors, in the application of these accounting policies, have made certain judgments and estimates that may have significant effect on the financial statements.

Key estimates are in the assessment of potential impairment of non-current assets, which requires the use of discounted cash flow calculations and the calculation of company specific discount rates. Other key assessments relate to the identification and assessment of impairment of current assets such as stock and trade debtors.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2 of these financial statements.

The Group has secured bank facilities through to the end of 31 March 2020 (see note 19). The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the directors expect the group to generate positive EBITDA and to be cash generative. The Group is expected to be able to operate within the level of its secured bank facilities for the foreseeable future, and is forecasting to remain compliant with all related covenants. The Directors therefore have a reasonable expectation that the company has adequate resources to continue its operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A special purpose entity (SPE) is consolidated if the Group concludes that it controls the SPE.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries and jointly controlled entities are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group 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 group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

1 Accounting policies (continued)

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Freehold property 25 years
- Leasehold property the period of the lease
- Plant and machinery 4 to 7 years or period of lease if shorter
- Motor vehicle 4 years or period of lease if shorter

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.8 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Concessions, patents, licences and trademarks 5-10 years

The basis for choosing these useful lives is generally their respective unexpired period.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years which is consistent with the useful life applied under old UK GAAP.

- The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.
- Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.9 Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the materials, production or labour and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1 Accounting policies (continued)

1.11 Impairment of fixed assets and goodwill

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.

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.

1.12 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. The Group operates a defined contribution pension scheme for eligible employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents contributions payable to the scheme in respect of the accounting period.

1.13 Turnover

Turnover represents the value of goods and services provided which fall within the group's ordinary activities after deduction of trade discounts and sales taxes. Turnover is recognised as goods and services are provided to customers.

Notes (continued)

1 Accounting policies (continued)

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Analysis of turnover and profit before taxation

	2017 £000	2016 £000
Sale of goods	55,129	68,261
Rendering of service	6,783	9,396
	<u>61,912</u>	<u>77,657</u>

During the year the amount of contract revenue recognised was £nil (2016: £713,000). This was accounted for in line with FRS 102.

Turnover by geographical destination and origin is analysed below:

	Turnover by origin 2017 £000	Turnover by destination 2017 £000	Turnover by origin 2016 £000	Turnover by destination 2016 £000
Geographical market:				
United Kingdom	51,777	41,033	65,732	53,676
Netherlands	5,634	5,604	6,143	6,374
Rest of world	4,501	15,275	5,782	17,607
	<u>61,912</u>	<u>61,912</u>	<u>77,657</u>	<u>77,657</u>

3 Notes to the profit and loss account

	2017 £000	2016 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation of tangible fixed assets:		
Owned	1,171	1,134
Leased	138	63
Amortisation and impairment of intangibles	6,722	6,721
Hire of plant and machinery	402	467
Hire of other assets – land and buildings	1,491	1,559

Auditor's remuneration

Audit of these financial statements	8	8
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Amounts receivable by auditors in respect of:

Audit of financial statements of subsidiaries, pursuant to legislation	36	36
Other services relating to taxation	40	47

Calculation of Ebitda

Operating loss	(1,095)	(4,728)
Depreciation Owned	1,171	1,134
Depreciation Leased	138	63
Amortisation	6,722	6,721
Exchange (gains) losses	237	134
Exceptional items	-	6,251
	<u>7,173</u>	<u>9,575</u>

Notes (continued)

4 Exceptional costs

	2017 £000	2016 £000
Redundancy payments	-	1,495
Dilapidation charges	-	637
Stock write-offs	-	712
Deal fees	-	548
Fixed asset write-off	-	356
Other closure costs	-	2,503
	<u>-</u>	<u>6,251</u>

5 Directors' emoluments

	2017 £000	2016 £000
Directors' emoluments	379	585
Company's contributions to money purchase pension schemes	67	91
Compensation for loss of office	-	650
	<u>446</u>	<u>1,326</u>

The emoluments of the highest paid director were £226,000 (2016: £226,000) and company pension contributions of £nil (2016: £32,000) were made to a money purchase scheme on their behalf.

Retirement benefits are accruing to one director (2016: three) under money purchase schemes.

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees Group	
	2017	2016
Administration	88	117
Sales	86	99
Maintenance and warehouse	251	309
	<u>425</u>	<u>525</u>

The aggregate payroll costs of these persons were as follows:

	Group	
	2017 £000	2016 £000
Wages and salaries	14,691	17,591
Social security costs	1,545	1,953
Other pension costs (see note 24)	696	883
	<u>16,932</u>	<u>20,427</u>

Notes (continued)

7 Interest payable

	2017 £000	2016 £000
Loan notes	15,686	14,441
On bank loans and overdrafts	2,526	2,950
Amortisation of debt issue costs	986	986
Other interest	287	1,301
Finance charges payable in respect of finance leases	4	11
Exceptional other interest	-	194
	<u>19,489</u>	<u>19,883</u>

8 Taxation

Analysis of charge in year

	2017			2016
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	(430)		353	
Adjustments in respect of prior years	16		(243)	
Double taxation relief	(52)		(33)	
	<u></u>	(466)	<u></u>	(77)
<i>Foreign tax</i>				
Current tax on income for the year	211		205	
	<u></u>	211	<u></u>	205
Total current tax		<u>(255)</u>		<u>(128)</u>
<i>Deferred tax</i>				
Origination/reversal of timing differences		607		112
Adjustments in respect of prior years		(117)		-
Change in tax rates		3		-
		<u>238</u>		<u>(16)</u>
Tax on profit on ordinary activities		<u>238</u>		<u>(16)</u>

The total tax charge has been recognised in the profit and loss account in the current and prior year.

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Current tax reconciliation		
Loss for the year	(20,823)	(24,595)
Total tax (credit)/expense	238	(16)
	<hr/>	<hr/>
Loss excluding tax	(20,585)	(24,611)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 20% (2016: 20%)	(4,117)	(4,922)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,140	3,400
Fixed asset differences	(255)	-
Goodwill amortisation not deductible	1,340	1,340
Tax on overseas subsidiaries at higher rate	6	205
Adjustment in respect of prior years	(123)	(243)
Deferred tax not recognised	191	232
Impact of graduated tax rates	56	(28)
	<hr/>	<hr/>
Total current tax (credit)/charge (see above)	238	(16)
	<hr/>	<hr/>

Factors affecting the future tax charge

Reductions in UK corporation tax charge to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. These reductions will reduce the company's future current tax charge accordingly.

The deferred tax asset at 31 March 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

Notes (*continued*)

9 Intangible fixed assets

<i>Group</i>	Intellectual property £000	Goodwill £000	Total £000
<i>Cost</i>			
At beginning of year	132	133,958	134,090
Additions	62	-	62
	<hr/>	<hr/>	<hr/>
At end of year	194	133,958	134,152
	<hr/>	<hr/>	<hr/>
<i>Amortisation and impairment</i>			
At beginning of year	81	20,094	20,175
Charge for the year	24	6,698	6,722
	<hr/>	<hr/>	<hr/>
At end of year	105	26,792	26,897
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2017	89	107,166	107,255
	<hr/>	<hr/>	<hr/>
At 31 March 2016	51	113,864	113,915
	<hr/>	<hr/>	<hr/>

The amortisation charge is recognised in the administrative expenses in the profit and loss account for the current and prior year.

The Company holds no intangible assets.

Notes (continued)

10 Tangible fixed assets

<i>Group</i>	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	172	961	12,927	7	14,067
Additions	-	52	312	-	364
Exchange	-	-	12	-	12
Reclassification	254	(254)	-	-	-
At end of year	426	759	13,251	7	14,443
Depreciation					
At beginning of year	152	104	8,596	7	8,859
Charge for the year	48	90	1,171	-	1,309
Exchange	-	-	3	-	3
At end of year	200	194	9,770	7	10,171
Net book value					
At 31 March 2017	226	565	3,481	-	4,272
At 31 March 2016	20	857	4,331	-	5,208

At 31 March 2017 the net book value of fixed assets includes an amount of £452,000 (£2016: £515,000) in respect of assets held under finance leases. The depreciation charge for the year on these assets was £138,000 (2016: £63,000).

The company holds no tangible fixed assets.

Notes (continued)

11 Fixed asset investments

Company						Shares in group undertakings £000
Cost and net book value						
At beginning and end of year						240
Shares in subsidiaries undertakings:						
Subsidiaries	Aggregate of capital and reserves £000s	Profit for the year £000s	Registered office	Activity	Class of shares held	Proportion of ordinary shares held current and prior year
Hydrasun Group Finance Limited	(49,683)	(14,331)	48 Grosvenor Street, London, W1K 3HW	Holding company	Ordinary	100%
Hydrasun Group Investments Limited*	240	-	48 Grosvenor Street, London, W1K 3HW	Holding company	Ordinary	100%
Hydrasun Group Acquisitions Limited*	(30,669)	(2,255)	48 Grosvenor Street, London, W1K 3HW	Holding company	Ordinary	100%
Hydrasun Group Limited*	530	-	Moss Road, Gateway Business Park, Aberdeen, AB12 3GQ	Holding company	Ordinary	100%
Hydrasun Limited*	89,001	3,762	Moss Road, Gateway Business Park, Aberdeen, AB12 3GQ	Hydraulic equipment manufacture supply and associated services	Ordinary	100%
Hydrasun Instrumentation BV*	2,015	155	Overwegwachter 2, Bedrijfspark, Boezembocht 3034 KG Rotterdam The Netherlands	Hydraulic equipment manufacture supply and associated services	Ordinary	100%
Hydrasun Kazakhstan LLP*	253	78	Sector #34 Promzona #3 Aktau 130000 Republic of Kazakhstan	Hydraulic equipment manufacture supply and associated services	Ordinary	100%
Hydrasun Rapid Solutions LLC*	549	577	Unit 4, Kilo15 Salyan Highway Shikhov, Baku, Azerbaijan3	Hydraulic equipment manufacture supply and associated services	Ordinary	50%
Hydrasun Rapid Solutions Limited*	157	126	Moss Road, Gateway Business Park, Aberdeen, AB12 3GQ	Hydraulic equipment manufacture supply and associated services	Ordinary	60%

Notes (continued)

11 Fixed asset investments (continued)

Subsidiaries	Aggregate of capital and reserves £000s	Profit for the year £000s	Registered office	Activity	Class of shares held	Proportion of ordinary shares held current and prior year
Hydrasun AMC Limited *	(176)	(9)	Moss Road, Gateway Business Park, Aberdeen, AB12 3GQ	Research and development of innovative subsea products	Ordinary	100%
Hydrasun Remaq Indústria e Comércio Ltda*	99	-	Cidade do Rio de Janeiro, Estado do Rio de Janeiro, nd Avenida Ro Branco, no. 43 20 andar, Salas 2.001 5 (porte), CEP 20090-003 Brazil	Hydraulic equipment manufacture supply and associated services	Ordinary	100%
Hydrasun FZE*	87	-	TPOFCB0328, Jebel Ali, Dubai, UAE	Hydraulic equipment manufacture supply and associated services	Ordinary	100%

* Held by subsidiary

12 Stocks and work in progress

	Group 2017 £000	Group 2016 £000
Finished goods and goods for resale	14,554	16,229
Work in progress	623	612
	<u>15,177</u>	<u>16,841</u>

The company holds no stock or work in progress.

Raw materials, consumables and changes in work in progress recognised as cost of sales in the year amounted to £31,811,000 (2016: £40,320,000).

The write down of stocks to net realisable value amounted to £223,000 (2016: £59,000) included within cost of sales and £nil (2016: £712,000) included within exceptional costs in administrative expenses.

Notes *(continued)*

13 Debtors

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade debtors	10,084	11,210	-	-
Amounts owed by group undertakings	-	-	11,100	11,100
Corporation tax	-	218	-	-
Prepayments and accrued income	2,041	1,960	-	-
Other debtors	183	580	4	-
Deferred tax asset	267	-	-	-
	<u>12,575</u>	<u>13,968</u>	<u>11,104</u>	<u>11,100</u>

The above debtors are due within one year.

14 Creditors: amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Term loan (note 18)	3,062	1,000	-	-
Amounts due to group undertakings	-	-	4	-
Obligations under finance leases (note 18)	36	216	-	-
Trade creditors	9,836	7,347	-	-
Corporation tax	52	-	-	-
Taxation and social security	1,493	910	-	-
Other creditors and accruals	1,780	3,955	-	-
	<u>16,259</u>	<u>13,428</u>	<u>4</u>	<u>-</u>

15 Creditors: amounts falling due after more than one year

	Group 2017 £000	Group 2016 £000	Company 2017 £00	Company 2016 £00
Term loans (note 18)	35,316	38,273	-	-
Obligations under finance leases	-	37	-	-
Accruals and deferred income	227	267	-	-
	<u>35,543</u>	<u>38,577</u>	<u>-</u>	<u>-</u>

Notes (continued)

16 Financing

	Group 2017 £000	Group 2016 £000	Company 2017 £00	Company 2016 £00
Loan notes (note 18)	106,632	106,632	10,994	10,994
Accrued interest on loan notes (note 18)	55,366	39,683	5,446	4,091
	<u>161,998</u>	<u>146,315</u>	<u>16,440</u>	<u>15,085</u>

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2017 £000	2016 £000	Liabilities 2017 £000	2016 £000
Accelerated capital allowances	-	-	-	226
Tax losses	268	-	-	-
	<u>268</u>	<u>-</u>	<u>-</u>	<u>226</u>
Tax (assets) / liabilities	268	-	-	226
Net tax liabilities/(assets)	268	-	-	226

18 Interest bearing loans and borrowing

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
<i>Creditors falling due within less than one year</i>				
Term loan	3,026	1,000	-	-
Obligations under finance leases	36	216	-	-
	<u>3,062</u>	<u>1,216</u>	<u>-</u>	<u>-</u>
<i>Creditors falling due within more than one year</i>				
Term loan	35,316	38,273	-	-
Loan notes	106,632	106,632	10,994	10,994
Accrued interest on loan notes	55,366	39,683	5,446	4,091
Obligations under finance leases	-	37	-	-
	<u>191,314</u>	<u>178,623</u>	<u>16,440</u>	<u>15,085</u>

Notes (continued)

19 Loans

Debt can be analysed as follows:

	2017 £000	2016 £000
Term loan		
Amounts falling due:		
Within one year	3,026	1,000
In the second to fifth years	38,280	42,120
	<u>41,306</u>	<u>43,120</u>
Less: unamortised debt issue costs	(2,964)	(3,847)
	<u>38,342</u>	<u>39,273</u>

The original term loan facility 'A' amounted to £22,000,000 and original loan facility 'B' amounted to £33,000,000. Loan facility 'A' was repayable in half yearly instalments on 31 March and 30 September each year. Loan facility 'B' is repayable in full on 14 March 2020. FY17 and FY18 scheduled loan repayments of £0.8m were voluntarily prepaid from excess cash, during the year to 31 March 2017.

The loan facilities bears interest at a rate of 4.75% (facility A) and 5.25% (facility B) above LIBOR (adjustable downward after achieving certain leverage ratios) and are 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 £6,732,000 are being amortised over seven years to 14 March 2020, being the loan facility 'B' final repayment date.

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Loan notes				
Amounts falling due:				
After more than five years	106,632	106,632	10,994	10,994
Accrued interest on loan notes	55,366	39,683	5,446	4,091
	<u>161,998</u>	<u>146,315</u>	<u>16,440</u>	<u>15,085</u>

Notes (continued)

19 Loans (continued)

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2017 £000	2016 £000
Term loan A	GBP	4.75%	2018	Instalments	8,306	10,120
Term loan B	GBP	5.25%	2020	Lump sum	33,000	33,000
Loan notes	GBP	10.5%	2063	Lump sum	106,632	106,632
Obligations under finance leases	GBP	3.3%	2017	Instalments	36	253
					<u>147,974</u>	<u>150,005</u>

Company	Currency	Nominal interest rate	Year of maturity	Repayment schedule	£000	£000
Loan notes	GBP	10.5%	2063	Lump sum	<u>10,994</u>	<u>10,994</u>

20 Other interest bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2017 £000	Minimum lease payments 2016 £000
Less than one year	36	216
Between one and five years	-	37
	<u>36</u>	<u>253</u>

Notes (continued)

21 Called up share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
264,946 A1 Ordinary shares of £0.01 each	3	3
2,300 A2 Ordinary shares of £0.01 each	-	-
16,033 B1 Ordinary shares of £0.01 each	-	-
10,692 B2 Ordinary shares of £0.01 each	-	-
52,820 C Ordinary shares of £0.01 each	-	-
100 Deferred shares of £0.01 each	-	-
	<u>3</u>	<u>3</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Retained earnings comprise cumulative undistributed earnings of the Group and Company, respectively.

Share premium represents the excess of the proceeds received from the issue of shares over the nominal value of those shares.

22 Other comprehensive income

	Profit and loss account £000	Total other compre- hensive income £000	Non- controlling interests £000
2016			
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	(674)	(674)	-
	<u>(674)</u>	<u>(674)</u>	<u>-</u>
<i>Total other comprehensive income</i>	<u>(674)</u>	<u>(674)</u>	<u>-</u>
2017			
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	50	50	-
	<u>50</u>	<u>50</u>	<u>-</u>
<i>Total other comprehensive income</i>	<u>50</u>	<u>50</u>	<u>-</u>

Notes (continued)

23 Contingent liabilities

At 31 March 2017, the group had granted guarantees and performance bonds to third parties totalling £354,000 (2016: £308,000).

The company has provided cross guarantees, as secured by certain property, plant and machinery and a floating charge over the assets of the group to its bankers in respect of the borrowings of all UK incorporated subsidiaries. The contingent liability to the company at 31 March 2017 amounted to £41,342,000 (2016: £43,120,000).

24 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £696,000 (2016: £883,000). Contributions amounting to £86,000 (2016: £83,000) were payable to the scheme and are included in creditors.

25 Commitments

Capital commitments at the end of the year for which no provision has been made are as follows:

	2017 £000	2016 £000
Group		
Contracted	1,379	1,337

Non-cancellable operating lease rentals are payable as follows:

	2017		2016	
	Land and buildings £000	Other £000	Land and buildings £000	Land and buildings £000
Group				
Less than one year	1,485	225	1,421	294
Between one and five years	4,859	185	4,980	300
More than five years	9,584	-	10,788	-
	<u>15,928</u>	<u>410</u>	<u>17,189</u>	<u>594</u>

During the year £1,893,000 (2016: £2,026,000) was recognised as an expense in the profit and loss account in respect of operating leases.

26 Related party transactions

Hydrasun Limited has a 60% shareholding in Hydrasun Rapid Solutions Limited. Transactions entered into by the group with Hydrasun Rapid Solutions Limited amounted to sales of £198,532 (2016: £229,976) and purchases of £nil (2016: £83,402). At 31 March 2017, the amount owed to Hydrasun Limited was £105,000 (2016: £nil).

Hydrasun Limited has a 50% shareholding in Hydrasun Rapid Solutions LLC. Transactions entered into by the group with Hydrasun Rapid Solutions LLC amounted to sales of £nil (2016: £87,795) and purchases of £1,373,000 (2016: £nil). At 31 March 2017, amounts owed to Hydrasun Limited were £598,000 (2016: £nil).

Loan notes issued to shareholders on 14 March 2013 were £106,632,000 (2016: £106,632,000) with accrued interest on these notes of £55,366,000 (2016: £39,683,000) at the 31 March 2017.

Notes *(continued)*

27 Controlling party

Funds managed by Investcorp Bank BSC are the company's majority shareholder as at the date of signing these accounts. The registered office is Investcorp House, Building 499, Road 1706, Diplomatic Area 317, Manama, Kingdom of Bahrain.