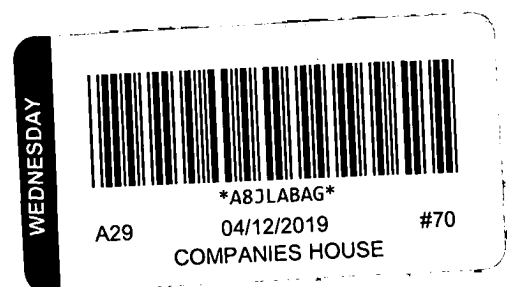


Hydrasun Group Holdings Limited

**Annual report and consolidated
financial statements**

Registered number 08368958

31 March 2019



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Officers and professional advisers

Directors

R S Drummond
G J Doherty
B Dickie
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, with particular emphasis on Hydrogen and CCUS (carbon capture, usage and storage).

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 2019 of £72.3m(2018: £59.8m). Earnings before interest, tax, depreciation and amortisation were £6.0m(2018: £4.5m). Operating loss for the year was £1.8m (2018: £3.4m) A reconciliation of EBITDA to operating loss is set out in note 3 to the financial statements.

The net asset position of the group was £93.8m (2018: £100.2m) after excluding shareholder loan notes and associated interest. The cash position was £4.7m(2018: £6.6m). In July 2019 our banking facilities were extended by two years, to 2022.

Business Review

The year to 31 March 2019 saw both an improvement in market conditions and a significant improvement in the overall financial performance, with sales revenues 21% higher than the prior year and EBITDA 33% higher. The overall operational performance of the Group remained strong. In particular, our safety, delivery and overall customer service standards and performance remained high and our management discipline, effectiveness and overall performance on managing working capital and cash flow also remained strong. The demand for the Group’s products, services and solutions increased in a number of key areas including our core product offering, Integrity Assurance & Reliability services, specialist hydraulic services, umbilicals and associated specialist subsea connectors. Outwith Oil and Gas, trading held up well in the broader industrial markets as supported by the group’s Glasgow, Teesside and Rotterdam operations, with the latter’s sales increasing by 25%.

In addition to the increase in overall sales, the Group has also further increased its forward order book and its “pipeline” of future opportunities. The directors are encouraged by the fact that both of these leading indicators further increased throughout 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 improvement in market conditions still being in its early stages, the Group continued to achieve further progress, development and market penetration in a number of key target international Oil & Gas regions including the Eastern Mediterranean, North Africa, West Africa and South America. As a result of this, overall international sales were up 41% on the previous year, representing 37% of overall turnover.

The Group also achieved further progress in the development and enhancement of its specialist value added services, with particular emphasis on integrity assurance and reliability services, specialist hydraulic 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. The Group invested £2.8m in new equipment, including the purchase of a new Helical cabling machine for the Umbilicals division to enable our production of Well Intervention and Workovers Umbilicals in 2019, and rental equipment for long-term contracts won by the Integrity Management division.

Strategic report *(continued)*

Other investment during the year included a £3.2m increase in stock to fulfil customer needs, offset Brexit risks and meet growing demand. 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 Carbon Capture, Usage and Storage (CCUS).

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 9001:2015 Quality Management Standard, the ISO 45001:2018 safety management standard, and the ISO 14001:2015 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.

Given the improvement in overall market conditions and outlook, along with the increase in the order book and other leading indicators of sales activity, the directors are confident that the improved overall financial performance and the further progress with various key developments achieved by the Group in the period to 31 March 2019 will continue in the following year.

Principal risks and uncertainties

In addition to the risks and inherent uncertainties set out above in respect of market conditions and activity in the oil and gas sector, the Group also manages the following risks.

Financial instruments

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

Market 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. Under its bank facility, the Group is required to comply with quarterly financial covenants relating to EBITDA and financial indebtedness and interest cover.

Going concern

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate.

The group's business activities, together with factors likely to affect its future development, performance and position are set out in this Strategic report.

In making their assessment of going concern, the Directors have considered the future financial performance of the Group headed by Hydrasun Group Holdings Limited, including the ability of companies within the Group to comply with agreed financial covenants under the Group's bank facility (which is secured through to 31 March 2022). The directors, having considered the group's financial position and future financial projections, taking account of reasonably possible changes in trading performance, are of the opinion that the company has adequate financial resources to continue in operational existence for the at least 12 months from the date of these financial statements.

Signed on behalf of the board



R S Drummond
Director

48 Grosvenor Street
London
W1K 3HW

9 July 2019

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 March 2019.

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.

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.

Dividends The directors do not recommend the payment of a dividend (2018: £nil).

Directors

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

R S Drummond
G J Doherty
B Dickie
J Tanner (resigned 9 October 2018)
S Bhilotra

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

9 July 2019

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 group and parent company 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 their 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Hydrasun Group Holdings Limited ("the company") for the year ended 31 March 2019 which comprise the Consolidated profit and loss account, the Consolidated statement of other comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Independent auditor's report to the members of Hydrasun Limited *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006, we are required 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 parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Hydrasun Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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.



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

12 JUL 2019

Consolidated profit and loss account
for the year ended 31 March 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	72,285	59,798
Cost of sales		(53,053)	(43,869)
Gross profit		19,232	15,929
Administrative expenses		(21,024)	(19,284)
Operating loss		(1,792)	(3,355)
<i>Operating loss is analysed between</i>			
Operating profit before amortisation of goodwill		4,922	3,353
Amortisation of goodwill		(6,714)	(6,708)
		(1,792)	(3,355)
Interest payable and similar charges	6	(24,895)	(21,320)
Loss before taxation	3-6	(26,687)	(24,675)
Tax on loss	7	(451)	(139)
Loss after taxation		(27,138)	(24,814)
<i>Loss for the financial year attributable to:</i>			
Shareholders of the parent company		89	(23)
Non-controlling interests			
Total loss for the financial year		(27,138)	(24,814)

Consolidated statement of other comprehensive income

for the year ended 31 March 2019

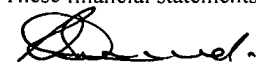
	2019 £000	2018 £000
Loss for the financial year	(27,138)	(24,814)
Other comprehensive expense		
Exchange differences on the retranslation of net investments	(39)	(138)
Total comprehensive expense for the year	<u>(27,177)</u>	<u>(24,952)</u>
<i>Total comprehensive (expense)/income attributable to:</i>		
Shareholders of the parent company	(27,266)	(24,733)
Non-controlling interests	89	(219)
Total comprehensive expense for the year	<u>(27,177)</u>	<u>(24,952)</u>

Consolidated balance sheet

at 31 March 2019

	Note	2019 £000	2018 £000
Fixed assets			
Goodwill	8	93,772	100,468
Other intangibles	8	118	91
Tangible assets	9	5,112	3,385
		<u>99,002</u>	<u>103,944</u>
Current assets			
Stocks	11	17,177	13,971
Debtors	12	17,612	15,165
Cash at bank and in hand		4,742	6,642
		<u>39,531</u>	<u>35,778</u>
Creditors: amounts falling due within one year	13	<u>(44,781)</u>	<u>(13,571)</u>
Net current (liabilities) / assets		<u>(5,250)</u>	<u>22,207</u>
Total assets less current liabilities		<u>93,752</u>	<u>126,151</u>
Creditors: amounts falling due after more than one year	14	-	(25,962)
Total net assets employed		<u>93,752</u>	<u>100,189</u>
Financed by			
Shareholder loan notes, including rolled up interest and unamortised issue costs	15	209,430	188,690
		<u>209,430</u>	<u>188,690</u>
Capital and reserves			
Called up share capital	19	3	3
Share premium account		343	343
Profit and loss account		(116,422)	(89,156)
Total capital and reserves		<u>(116,076)</u>	<u>(88,810)</u>
Equity attributable to the parent's shareholders		(116,076)	(88,810)
Non-controlling interest		398	309
Total equity		<u>(115,678)</u>	<u>(88,501)</u>
Total financing		<u>93,752</u>	<u>100,189</u>

These financial statements were approved by the board of directors on 9 July 2019 and were signed on its behalf by:



R S Drummond
Director

Company balance sheet

at 31 March 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	10	240	240
Current assets			
Debtors	12	4	4
Creditors: amounts falling due within one year	13	(4)	(4)
Net current assets		-	-
Total assets less current liabilities		240	240
Creditors: amounts falling due after one year	15	(19,451)	(17,871)
Net liabilities		(19,211)	(17,631)
Capital and reserves			
Called up share capital	19	3	3
Share premium account		343	343
Profit and loss account		(19,557)	(17,977)
Total capital and reserves		(19,211)	(17,631)

These financial statements were approved by the board of directors on 9 July 2019 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 2017	3	343	(64,423)	(64,077)	565	(63,512)
Total comprehensive expense for the year						
Loss for the year	-	-	(24,791)	(24,791)	(23)	(24,814)
Other comprehensive income (see note 20)	-	-	58	58	(196)	(138)
Total comprehensive loss for the year	-	-	(24,733)	(24,733)	(219)	(24,952)
Transactions with holders of equity						
Dividend paid	-	-	-	-	(37)	(37)
Balance at 31 March 2018	3	343	(89,156)	(88,810)	309	(88,501)

Consolidated Statement of Changes in Equity *(continued)*

	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 2018	3	343	(89,156)	(88,810)	309	(88,501)
Total comprehensive expense for the year						
Loss for the year	-	-	(27,227)	(27,227)	89	(27,138)
Other comprehensive income (see note 20)	-	-	(39)	(39)	-	(39)
Total comprehensive loss for the year	-	-	(27,266)	(27,266)	89	(27,177)
Balance at 31 March 2019	3	343	(116,422)	(116,076)	398	(115,678)

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 2017	3	343	(5,446)	(5,100)
Total comprehensive expense for the year				
Loss for the year	-	-	(12,531)	(12,531)
Total comprehensive expense for the year	-	-	(12,531)	(12,531)
Balance at 31 March 2018	3	343	(17,977)	(17,631)

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2018	3	343	(17,977)	(17,631)
Total comprehensive expense for the year				
Loss for the year	-	-	(1,580)	(1,580)
Total comprehensive expense for the year	-	-	(1,580)	(1,580)
Balance at 31 March 2019	3	343	(19,557)	(19,211)

Consolidated cash flow statement
for the year ended 31 March 2019

	<i>Note</i>	2019 £000	2018 £000
Cash flows from operating activities			
Loss for the year		(27,138)	(24,814)
Adjustments for:			
Depreciation, amortisation and impairment		7,827	7,882
Interest payable and similar expenses		24,895	21,320
Taxation		451	139
		<hr/>	<hr/>
		6,035	4,527
Increase in trade and other debtors		(2,486)	(2,234)
(Increase)/decrease in stocks		(3,206)	1,206
Increase in trade and other creditors		3,488	43
		<hr/>	<hr/>
Tax paid		(280)	(356)
		<hr/>	<hr/>
Net cash from operating activities		3,551	3,186
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of tangible fixed assets	9	(2,839)	(288)
Acquisition of intangible assets	8	(45)	(12)
		<hr/>	<hr/>
Net cash used in investing activities		(2,884)	(300)
		<hr/>	<hr/>
Cash flows from financing activities			
Payment of finance lease liabilities		-	(36)
Interest paid		(2,474)	(2,532)
Repayment of borrowings		-	(12,345)
Dividends paid to non-controlling interests by subsidiaries		-	(37)
Issue of new shareholder loan notes		-	9,000
Deal costs		(93)	(1,303)
		<hr/>	<hr/>
Net cash used in financing activities		(2,567)	(7,253)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(1,900)	(4,367)
Cash and cash equivalents at 1 April		6,642	11,009
		<hr/>	<hr/>
Cash and cash equivalents at 31 March		4,742	6,642
		<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”). 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;
- 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 market participant discount rates. Other key assessments relate to the identification and assessment of impairment of current assets such as stock (lower of cost and net realisable value) and trade debtors (recoverable amount).

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate. The group’s business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic report.

In making their assessment of going concern, the Directors have considered the future financial performance of the Group headed by Hydrasun Group Holdings Limited, including the ability of companies within the Group to comply with agreed quarterly financial covenants under the Group’s bank facility (which is secured through to 31 March 2022). Financial covenants principally comprise EBITDA tested against net financial indebtedness and EBITDA tested against interest. Covenant calculations exclude balances relating to loan notes.

The directors, having considered the group’s financial position and future financial projections, taking account of reasonably possible changes in trading performance, are of the opinion that the company has adequate financial resources to continue in operational existence for the at least 12 months from the date of these financial statements. 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 2019. 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

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 excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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. *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.

Notes (continued)

1 Accounting policies (continued)

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 respectively delivered or provided to customers. Accounting for long term contracts is set out in note 1.9.

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.

Notes (continued)

1 Accounting policies (continued)

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

	2019 £000	2018 £000
Sale of goods	63,526	53,092
Rendering of service	8,759	6,706
	<u>72,285</u>	<u>59,798</u>

Turnover by geographical destination and origin is analysed below:

	Turnover by origin 2019 £000	Turnover by destination 2019 £000	Turnover by origin 2018 £000	Turnover by destination 2018 £000
Geographical market:				
United Kingdom	62,420	45,445	51,549	40,804
Netherlands	5,942	5,836	4,824	4,747
Rest of world	3,923	21,004	3,425	14,247
	<u>72,285</u>	<u>72,285</u>	<u>59,798</u>	<u>59,798</u>

3 Notes to the profit and loss account

	2019 £000	2018 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation of tangible fixed assets:		
Owned	1,112	1,086
Leased	-	63
Amortisation and impairment of intangibles	6,714	6,708
Hire of plant and machinery	341	366
Hire of other assets – land and buildings	1,657	1,556
	<u>11</u>	<u>8</u>
<i>Auditor's remuneration</i>		
Audit of these financial statements	11	8
Amounts receivable by auditors in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	33	31
Other services relating to taxation	51	34
	<u>6,035</u>	<u>4,544</u>
<i>Calculation of Ebitda</i>		
Operating loss	(1,792)	(3,355)
Depreciation Owned	1,112	1,111
Depreciation Leased	-	63
Amortisation	6,714	6,708
Exchange losses	1	17
	<u>6,035</u>	<u>4,544</u>

Notes (continued)

4 Directors' emoluments

	2019 £000	2018 £000
Directors' emoluments	505	410
Company's contributions to money purchase pension schemes	37	35
	<u>542</u>	<u>445</u>

The emoluments of the highest paid director were £295,000 (2018: £226,000) and company pension contributions of £nil (2018: £nil) were made to a money purchase scheme on their behalf.

Retirement benefits are accruing to one director (2018: one) under a money purchase scheme.

5 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	
	2019	2018
Maintenance and warehouse	254	250
Sales	83	83
Administration	81	79
	<u>418</u>	<u>412</u>

The aggregate payroll costs of these persons were as follows:

	Group	
	2019 £000	2018 £000
Wages and salaries	16,409	14,242
Social security costs	1,795	1,601
Other pension costs (see note 22)	731	621
	<u>18,935</u>	<u>16,464</u>

Notes (continued)

6 Interest payable and similar expenses

	2019 £000	2018 £000
Loan notes	20,740	17,687
On bank loans and overdrafts	2,170	2,320
Amortisation of debt issue costs	1,644	1,120
Other interest	341	193
	<u>24,895</u>	<u>21,320</u>

7 Taxation

Analysis of charge in year

	2019 £000	2018 £000
<i>UK corporation tax</i>		
Current tax on income for the year	298	15
Adjustments in respect of prior years	(72)	(15)
Double taxation relief	(99)	(13)
	<u>127</u>	<u>(13)</u>
<i>Foreign tax</i>		
Current tax on income for the year	274	95
Adjustment in respect of prior years	13	57
	<u>287</u>	<u>152</u>
Total current tax	<u>414</u>	<u>139</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	37	-
Adjustments in respect of prior years	-	-
Change in tax rates	-	-
	<u>37</u>	<u>-</u>
Tax on profit	<u>451</u>	<u>139</u>

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

Notes (continued)

7 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 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Current tax reconciliation		
Loss for the year	(27,138)	(24,814)
Total tax (credit)/expense	451	139
	<hr/>	<hr/>
Loss excluding tax	(26,687)	(24,675)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2018: 19%)	(5,070)	(4,688)
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	61	195
Loan note interest not deductible for tax purposes	3,939	3,361
Fixed asset differences	61	(44)
Goodwill amortisation not deductible	1,514	1,273
Tax on overseas subsidiaries at higher rate and with-holding taxes	10	26
Patent box	(5)	(22)
Adjustment in respect of prior years	(59)	38
	<hr/>	<hr/>
Total current tax charge (see above)	451	139
	<hr/>	<hr/>

Factors affecting the future tax charge

A reduction in UK corporation tax charge to 19% (effective from 1 April 2018) was 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 2019 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

Notes (continued)

8 Intangible fixed assets

<i>Group</i>	Intellectual property £000	Goodwill £000	Total £000
<i>Cost</i>			
At beginning of year	218	133,958	134,176
Additions	45	-	45
At end of year	263	133,958	134,221
<i>Amortisation and impairment</i>			
At beginning of year	127	33,490	33,617
Charge for the year	18	6,696	6,714
At end of year	145	40,186	40,331
<i>Net book value</i>			
At 31 March 2019	118	93,772	93,890
At 31 March 2018	91	100,468	100,559

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.

9 Tangible fixed assets

<i>Group</i>	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Total £000
<i>Cost</i>				
At beginning of year	407	742	13,544	14,693
Additions	2	7	2,830	2,839
Disposals	-	-	(53)	(53)
At end of year	409	749	16,321	17,479
<i>Depreciation</i>				
At beginning of year	285	211	10,812	11,308
Charge for the year	48	52	1,012	1,112
Disposals	-	-	(53)	(53)
At end of year	333	263	11,771	12,367
<i>Net book value</i>				
At 31 March 2019	76	486	4,550	5,112
At 31 March 2018	122	531	2,732	3,385

At 31 March 2019 the net book value of fixed assets includes an amount of £nil (£2018: £nil) in respect of assets held under finance leases. The depreciation charge for the year on these assets was £nil (2018: £63,000).

The company holds no tangible fixed assets.

Notes (continued)

10 Fixed asset investments

Company	Shares in group undertakings £000
<i>Cost and net book value</i>	
At beginning and end of year	<u>240</u>

The company's subsidiary undertakings at the year-end are shown below. They are involved in the manufacture and supply of hydraulic equipment and associated services. All shareholdings are of Ordinary shares.

Subsidiaries	Country	Registered office	Proportion of shares held in current and prior year
Hydrasun Group Finance Limited	UK	48 Grosvenor Street, London, W1K 3HW	100%
Hydrasun Group Investments Limited*	UK	48 Grosvenor Street, London, W1K 3HW	100%
Hydrasun Group Acquisitions Limited*	UK	48 Grosvenor Street, London, W1K 3HW	100%
Hydrasun Group Limited*	UK	Gateway Business Park, Moss Road, Aberdeen, AB12 3GQ	100%
Hydrasun Limited*	UK	Gateway Business Park, Moss Road, Aberdeen, AB12 3GQ	100%
Hydrasun Instrumentation BV*	The Netherlands	Overwegwachter 2, Bedrijfspark, Boezembocht 3034 KG Rotterdam	100%
Hydrasun Kazakhstan LLP*	Republic of Kazakhstan	Sector #34 Promzona #3 Aktau 130000	100%
Hydrasun Rapid Solutions LLC*	Azerbaijan	Unit 4, Kilo 15 Salyan Highway, Shikhov, Baku	50%
Hydrasun Rapid Solutions Limited*	UK	Gateway Business Park, Moss Road, Aberdeen, AB12 3GQ	60%
Hydrasun AMC Limited*	UK	Gateway Business Park, Moss Road, Aberdeen, AB12 3GQ	100%
Hydrasun Remaq Indústria e Comércio Ltda*	Brazil	Avenida Rio Branco, nº43, 20º andares, Centro - Rio de Janeiro, RJ CEP 20090-003	100%
Hydrasun FZE*	UAE	Office No.TPOFCB0328, Jebel Ali, Dubai	100%

*Investment held indirectly through a subsidiary

Notes (continued)

11 Stocks and work in progress

	Group 2019 £000	Group 2018 £000
Finished goods and goods for resale	15,957	13,491
Work in progress	1,220	480
	<u>17,177</u>	<u>13,971</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 £39,586,000 (2018: £32,975,000).

The write down of stocks to net realisable value amounted to £33,000 (2018: £12,000) included within cost of sales.

12 Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade debtors	15,407	11,474	-	-
Corporation tax	-	180	-	-
Other debtors	402	451	4	4
Deferred tax asset	230	267	-	-
Prepayments and accrued income	1,573	2,793	-	-
	<u>17,612</u>	<u>15,165</u>	<u>4</u>	<u>4</u>

The above debtors are due within one year.

Notes *(continued)*

13 Creditors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Term loan (note 17)	27,399	-	-	-
Amounts due to group undertakings	-	-	4	4
Trade creditors	13,019	10,430	-	-
Corporation tax	106	-	-	-
Taxation and social security	1,007	1,174	-	-
Other creditors and accruals	3,250	1,967	-	-
	<u>44,781</u>	<u>13,571</u>	<u>4</u>	<u>4</u>

14 Creditors: amounts falling due after more than one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Term loans (note 17)	-	25,851	-	-
Accruals and deferred income	-	111	-	-
	<u>-</u>	<u>25,962</u>	<u>-</u>	<u>-</u>
Financing liabilities (note 15)	209,430	188,690	19,451	17,871
	<u>209,430</u>	<u>214,652</u>	<u>19,451</u>	<u>17,871</u>

Notes (continued)

15 Financing

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £00
Loan notes (note 17)	115,632	115,632	10,994	10,994
Accrued interest on loan notes (note 17)	93,798	73,058	8,457	6,877
	<u>209,430</u>	<u>188,690</u>	<u>19,451</u>	<u>17,871</u>

16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2019 £000	2018 £000	Liabilities 2019 £000	2018 £000
Tax losses	230	267	-	-
Net tax assets	<u>230</u>	<u>267</u>	<u>-</u>	<u>-</u>

17 Interest bearing loans and borrowing

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
<i>Creditors falling due within less than one year</i>				
Term loan	<u>27,399</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Creditors falling due within more than one year</i>				
Term loan	-	25,851	-	-
Loan notes	115,632	115,632	10,994	10,994
Accrued interest on loan notes	<u>93,798</u>	<u>73,058</u>	<u>8,457</u>	<u>6,877</u>

Notes (continued)

18 Loans

Debt can be analysed as follows:

	2019 £000	2018 £000
Term loan		
Amounts falling due:		
Within one year	28,997	-
In the second to fifth years	-	28,997
	<u>28,997</u>	<u>28,997</u>
Less: unamortised debt issue costs	(1,598)	(3,146)
	<u>27,399</u>	<u>25,851</u>

The original loan facility 'B' amounted to £33,000,000. As at the 31 March 2019 the balance of the Loan facility 'B' was repayable in full on 14 March 2020, resulting in it being classed as due within one year, but has since been amended to a repayment date of 31 March 2022.

The loan facilities bears interest at a rate of 5.25% above LIBOR 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 of £8,035,000, are being amortised over seven years to 14 March 2020, the initial term of the facility.

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Term loan B	GBP	5.25%	2020 *	Lump sum	28,997	28,997
Loan notes	GBP	10.5%	2063	Lump sum	106,632	106,632
Loan notes	GBP	14.0%	2067	Lump sum	9,000	9,000
Accrued Loan Note interest	GBP				93,798	73,058
					<u>238,427</u>	<u>217,687</u>

* Extended to 2022 as at the date of signing the financial statements.

Company	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Loan notes	GBP	10.5%	2063	Lump sum	10,994	10,994

Loan note interest is satisfied by the issue of additional loan notes accruing interest at the same rate as the principal loan note. No amounts relating to the loan notes are payable within one year as the accrued interest is repayable on redemption.

Notes (continued)

19 Called up share capital

	2019 £000	2018 £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.

20 Other comprehensive income

	Profit and loss account £000	Total other comprehensive income £000	Non- controlling interests £000
2018			
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	(138)	58	(196)
	<u>(138)</u>	<u>58</u>	<u>(196)</u>
<i>Total other comprehensive income</i>	<u>(138)</u>	<u>58</u>	<u>(196)</u>
2019			
<i>Other comprehensive income</i>			
Foreign exchange differences on translation of subsidiary undertakings	(39)	(39)	-
	<u>(39)</u>	<u>(39)</u>	<u>-</u>
<i>Total other comprehensive income</i>	<u>(39)</u>	<u>(39)</u>	<u>-</u>

Notes (continued)

21 Contingent liabilities

At 31 March 2019, the group had granted guarantees and performance bonds to third parties totalling £103,000 (2018: £314,000).

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 2019 amounted to £28,977,000 (2018: £28,997,000).

22 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 £731,000 (2018: £621,000). Contributions amounting to £92,000 (2018: £82,000) were payable to the scheme and are included in creditors.

23 Commitments

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

	2019 £000	2018 £000
Group		
Contracted	555	2,230

Non-cancellable operating lease rentals are payable as follows:

	2018 Land and buildings £000	Other £000	2018 Land and buildings £000	Other £000
Group				
Less than one year	1,617	123	1,448	201
Between one and five years	5,321	118	4,826	156
More than five years	9,202	-	8,379	-
	<u>16,140</u>	<u>241</u>	<u>14,653</u>	<u>357</u>

24 Related party transactions

Hydrasun Limited has a 60% shareholding in Hydrasun Rapid Solutions Limited. At 31 March 2019, the amount owed by Hydrasun Limited to Hydrasun Rapid Solutions Limited was £198,000 (2018: £203,000).

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 £2,234,000 (2018: £515,000). At 31 March 2019, amounts owed to Hydrasun Limited were £2,265,000 (2018: £1,524,000).

Loan notes issued to shareholders on 14 March 2013 were £115,632,000, with £106,632,000 issued on 14 March 2013 and £9,000,000 issued on 18 December 2017, (2018: £115,632,000) and with accrued interest on these notes of £93,798,000 (2018: £73,058,000) at the 31 March 2019.

25 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.