

Hydrasun Group Finance Limited

Annual report and financial statements

Registered number 08369158

Incorporation to 31 March 2014

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Officers and professional advisers

Directors

M Bandak (*Appointed 21 January 2013, Resigned 22 March 2013*)
J Mahoney (*Appointed 21 January 2013, Resigned 6 March 2013*)
C Hagenbucher (*Appointed 6 March 2013, Resigned 22 March 2013*)
G J Doherty (*Appointed 22 March 2013*)
R S Drummond (*Appointed 22 March 2013*)
R McAlpine (*Appointed 22 March 2013*)

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 & Williamsons LLP
Union Plaza
Union Wynd
Aberdeen
AB10 1SL

Auditor

KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB

Strategic report

Principal activities

The company's principal activity is to act as an intermediate holding company.
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 hose inspection and integrity management services. Outwith Oil & Gas, other important market sectors are Petrochemical, Utilities, Marine, Defence and alternative Energy.

Business model

The business model is based around Hydrasun Limited, the main trading company in the Hydrasun group. Hydrasun Limited mainly sells its products to the UK market but also has an increasing global presence which it looks to develop. Hydrasun Group Finance Limited is an intermediate parent company of Hydrasun Limited.

Business review and results

Since the date of incorporation the business has made a loss due to the interest payable on loan notes held by the company. The company is expected to have sufficient reserves going forward to meet the interest payments through dividends from Hydrasun Limited.

Principal risks and uncertainties

The principal risks and uncertainties are around any change in the global oil price which may affect companies' decisions to invest and ultimately use Hydrasun products.

Future developments

The Hydrasun group will continue to develop both its UK and International markets in the financial year 2014/15.

Signed on behalf of the board:



R S Drummond
Director

10 July 2014

Directors' report

The directors present their directors' report and financial statements for the period ended 31 March 2014.

Directors

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

M Bandak (*Appointed 21 January 2013, Resigned 22 March 2013*)
J Mahoney (*Appointed 21 January 2013, Resigned 6 March 2013*)
C Hagenbucher (*Appointed 6 March 2013, Resigned 22 March 2013*)
G J Doherty (*Appointed 22 March 2013*)
R S Drummond (*Appointed 22 March 2013*)
R McAlpine (*Appointed 22 March 2013*)

Dividends

The directors do not recommend the payment of a dividend.

Political donations

The Company made no political donations or incurred any political expenditure during the period.


Disclosure of information to auditor

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

Auditor

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

By order of the board



R S Drummond
Director

48 Grosvenor Street
London
W1K 3HW

10 July 2014

Statement of directors' responsibilities in respect of 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

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

We have audited the financial statements of Hydrasun Group Finance Limited for the period ended 31 March 2014 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the period then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

14 July 2014

Profit and Loss Account
for the period ended 31 March 2014

	<i>Note</i>	2014 £000
Interest payable and similar charges	5	(10,980)
Loss on ordinary activities before taxation	2-4	(10,980)
Tax on loss on ordinary activities	6	-
Loss for financial year	12	(10,980)

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

Balance Sheet
at 31 March 2014

	<i>Note</i>	£000	2014 £000
Fixed assets			
Investments	7		240
Current assets			
Debtors	8	106,738	
		<hr/>	
		106,738	
Creditors: amounts falling due within one year	9	(11,100)	
		<hr/>	
Net current assets			95,638
			<hr/>
Total assets less current liabilities			95,878
Creditors: amounts falling due after more than one year	10		(106,618)
			<hr/>
Net liabilities			(10,740)
			<hr/>
Capital and reserves			
Called up share capital	11		240
Profit and loss account	12		(10,980)
			<hr/>
Shareholder's deficit	13		(10,740)
			<hr/>

These financial statements were approved by the board of directors on 10 July 2014 and were signed on its behalf by:



R S Drummond
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

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

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

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

Going Concern

The Company has net liabilities of £10,740,000 at 31 March 2014 and does not trade. It is reliant on support from Hydrasun Group Holdings Limited which has agreed to provide any support that is necessary for the Company to meet its liabilities as they fall due.

As the Company can rely on this parent company support the financial statements have been prepared on a going concern basis.

Investments

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

Impairment of fixed assets

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

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

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

Calculation of recoverable amount

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

Notes (continued)

1 Accounting policies (continued)

Reversals of impairment

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

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

Taxation

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

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

Classification of financial instruments issued by the Company

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

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Dividends on shares presented within shareholder's funds

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

2 Notes to the profit and loss account

Auditors' remuneration £3,000 was borne by another group company, Hydrasun Limited.

3 Remuneration of directors

Directors' remuneration in the current period was borne by another group company, Hydrasun Limited.

4 Staff numbers and costs

The company had no employees in the current period..

Notes (continued)

5 Interest payable and similar charges

	2014 £000
Loan notes	10,980

6 Taxation

Analysis of charge in the period

	2014 £000
<i>UK corporation tax</i>	
Current tax on income for the period	-
Tax on loss on ordinary activities	-

Factors affecting the tax charge for the current year

The current tax charge for the period is higher than the standard rate of corporation tax in the UK 23%.

The differences are explained below:

	2014 £000
<i>Current tax reconciliation</i>	
Loss on ordinary activities before tax	(10,980)
Current tax at 23%	(2,530)
<i>Effects of:</i>	
Expenses not deductible for tax purposes	1,450
Group relief surrendered for nil consideration	1,080
Total current tax charge (see above)	-

Factors affecting the future tax charge

Reductions in the UK corporation tax rate from 26% to 24% (effective from April 2012) and to 23% (effective 1 April 2013) were substantially enacted on 26 March 2012 and 3 July 2012 respectively.

Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

The deferred tax asset at 31 March 2014 has been calculated based on the rate of 20% (2013: 23%) substantively enacted at the balance sheet date.

Notes (continued)

7 Investments

	Shares in subsidiary undertakings £000
<i>Cost and net book value</i>	
At beginning of the period	
Addition	240
	<hr/>
At end of the period	240
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Company	Country of incorporation and operation	Activity	Proportion of ordinary shares held
Hydrasun Group Acquisitions Limited	England	Holding company	100%
Hydrasun Group Limited*	Scotland	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun Limited*	Scotland	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun Rapid Solutions Limited*	Scotland	Hydraulic equipment manufacture, supply and associated services	60%
Hydrasun Instrumentation BV*	Netherlands	Hydraulic equipment distribution	100%
Hydrasun (Caspian Sea) Limited*	Scotland	Hydraulic equipment supply and associated services in the Caspian region	100%
Hydrasun AMC Limited*	Scotland	Research and development of innovative subsea products	100%
Hydrasun IFP Limited*	Scotland	Hydraulic engineering services	100%
Hydrasun Kazakhstan LLP*	Kazakhstan	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun Remaq Mangueiras e Conexões Ltda*	Brazil	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun FZE*	United Arab Emirates	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun Rapid Solutions LLC*	Azerbaijan	Hydraulic equipment manufacture, supply and associated services	50%

* Held by subsidiary

Notes (continued)

8 Debtors

	2014 £000
Amounts owed by group undertakings	106,738

9 Creditors: amounts falling due within one year

	2014 £000
Amounts owed to group undertakings	(11,100)

10 Creditors: amounts falling due after more than one year

	2014 £000
Loan notes	(95,638)
Accrued interest on loan notes	(10,980)
	(106,618)

£95m of loan notes bore interest at 10.5% per annum and the accrued interest was satisfied by the issue of loan notes accrued interest at the same rate. The loan notes were issued on the 14 March 2013 and have no fixed redeemable date. No amounts relating to the loan notes are payable within 1 year.

11 Called up share capital

	2014 £000
<i>Allotted, called up and fully paid</i>	
239,695 Ordinary shares of £1 each	240

Notes (continued)

12 Reserves

	Profit and loss account £000
Loss for the financial period	(10,980)
At 31 March 2014	<u>(10,980)</u>

13 Reconciliation of movements in shareholder's deficit

	2014 £000
Loss for the financial year	(10,980)
New share capital subscribed (net of issue costs)	240
Net increase in shareholder's deficit	<u>(10,740)</u>
Opening shareholder's deficit	-
Closing shareholder's deficit	<u>(10,740)</u>

14 Contingent liability

The company has provided a cross guarantee, as secured by certain property, plant and machinery and a floating charge over the assets of the company to its bankers in respect of the borrowings of all UK incorporated subsidiaries of Hydrasun Group Holdings Limited, the company's ultimate parent undertaking. The contingent liability to the company at 31 March 2014 amounted to £52,800,000.

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

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

The largest group and only group in which the results of the company are consolidated is that headed by Hydrasun Group Holdings Limited.

The consolidated financial statements of Hydrasun Group Holdings Limited are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ..