

**Hydrasun Group Finance Limited**

**Annual report and financial statements**

**Registered number 08369158**

**31 March 2020**

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## **Officers and professional advisers**

### **Directors**

G J Doherty  
R S Drummond

### **Secretary**

G J Doherty

### **Registered office**

48 Grosvenor Street  
London  
W1K 3HW

### **Banker**

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

### **Solicitor**

Pinsent Masons LLP  
13 Queen's Road  
Aberdeen  
AB15 4YL

### **Auditor**

KPMG LLP  
1 Marischal Square  
Broad Street Aberdeen  
AB10  
1DD

## Strategic report

The directors present their Strategic report for the year ended 31 March 2020.

### Principal activities

The company's principal activity is to act as an intermediate holding company within the group headed by Hydrasun Group Holdings Limited. The Hydrasun Group 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, Marine and Alternative and Renewable Energy, with particular emphasis on Hydrogen and CCUS (carbon capture, usage and storage).

### Business model

The business model is based around Hydrasun Limited, the main trading company in the Hydrasun group. Hydrasun Group Finance Limited is an intermediate parent company of Hydrasun Limited.

### Statement relating to the Directors' responsibilities under Section 172 of the Companies Act

The Directors recognise their duty to act in a way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole in accordance with section 172 of the UK Companies Act 2006. The Directors' section 172 duties are part of Board discussions. The Directors continue to have regard to the interest of the company's key stakeholders and, throughout the year, the Board and management engage with key stakeholders on items relevant to them. We set out below our key stakeholder groups, their material issues and how the company engages with and considers the interest of each stakeholder group.

#### • Investors and lenders

Financial performance and strategy	Monthly executive board meeting, including Investor board members, reviewing financial performance, business strategy, HSEQ and Environmental, social and governance matters; together with regular update calls between CEO and investors.
Corporate Governance	Separate Audit and Remuneration Committees established, and directors are responsible for ensuring compliance with ABC Policy and Procedures, adherence to all relevant laws and regulations, and prevention of fraud.

#### • Employees

Engagement and work culture	The company holds employee team briefings and other organisational forums to communicate company performance, policy and initiatives. This provides an opportunity for staff engagement and to create a culture that fosters open honest and direct communications.
Training & Development	<p>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.</p> <p>OPITO accredited Training and Competency Management System</p> <p>Formal on-the-job training program that provides employees the opportunity to demonstrate in current roles and operational tasks while helping to prepare them for future promotions.</p>

## Strategic report (continued)

### Statement relating to the Directors' responsibilities under Section 172 of the Companies Act (continued)

#### • Customers

Safety, Responsiveness, Quality, Service and Reliability.	The Group operates to the highest standards within all areas of HSEQ and is accredited to the ISO 9001:2015 Quality Management Standard, the ISO 45001:2018 safety management standard, and the ISO 14001:2015 Environmental Management Standard.
Overall performance, satisfaction and value for money.	The Group closely monitors customer satisfaction, perception and feedback regarding our overall performance. This is done in accordance with the "First Point Assessment Limited" (FPAL) system, which is widely recognised and operated within the Oil and Gas industry.
Innovation and Development.	Continuous development of our specialist products, services and solutions and financial investment in new production equipment and processes.

#### • Suppliers

Expertise and collaborative approach	Unrivalled range and size of inventory coupled with established relationships and exclusive distributorship agreements with international manufacturers, enabling us to supply high quality, reliable products, at the right time. Similarly, through our specialist manufacturing facility, we can supply bespoke products to meet customer's specific applications.
Credibility/trust and reputation	We carefully select our business partners through the application of rigorous due diligence processes of business partners that share our values and our commitment to safety, integrity and quality.
Overall Performance	Supplier Performance is evaluated through regular reporting on On-Time Delivery, quote Speed of Response and Quality, which is discussed with suppliers and supplemented by regular supplier audits.
Business Conduct	Our Code of Business Conduct includes provisions addressing conflicts of interest, corporate opportunities, compliance with our policies and with laws, rules and regulations, including laws addressing insider trading, antitrust and anti-bribery. We expect our business partners, including suppliers and vendors, to act consistently with our Code.

#### • Other stakeholders including local communities and CSR

Local Communities	<p>"Hydrasun in the Community" enables us to give something back to the local areas in which we live and work. We understand that Corporate Social Responsibility is much more than just financial contribution and actively encourage our employees to get involved, be enthusiastic, identify projects and in their own way make a difference.</p> <p>As a progressive company it is our responsibility to lead by example - as a business, an employer, and a neighbour. Through local and national initiatives, we contribute to environmental, social, professional excellence and community projects whilst also promoting the health and well-being of our employees and enabling them to undertake voluntary activities. These initiatives, along with a dedicated sponsorship programme allow us to support causes that are both aligned with our corporate values and recognised, respected and valued within our local communities. Current sponsorships include CLAN Cancer support, Friends of Anchor Cancer care support and Robert Gordon University's "RGU Racing Team" initiative.</p>
Environmental and Sustainability Responsibilities	We employ an Environmental Management System and work in accordance with a widely recognised International Environmental management Standard focused on emission monitoring and reduction, waste management and discharge prevention to minimise our impact on the local communities in which we operate.

## Strategic report *(continued)*

### 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.

Interest payable on loan notes is able to be settled by the issue of further interest-bearing loan notes as set out in note 10 to the financial statements, the earliest repayment date for which is 2063. The company is expected to have sufficient reserves going forward to meet its long-term financing obligations through dividends received from its subsidiary undertakings.

### Principal risks and uncertainties

The Group's 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.

The company has provided cross guarantees, as secured by certain property, plant and machinery and a floating charge over the assets of the company to bankers in respect of the borrowings of all UK incorporated subsidiaries to Hydrasun Group Holdings Limited, the company's ultimate parent undertaking.

There are no additional risks specific to this company.

### Going concern

At the date of signing these financial statements, the COVID-19 outbreak continues to be declared a global pandemic. The Hydrasun Group continues to trade with its customers and to receive deliveries from its suppliers throughout this time. However, whilst the Group's operations continue largely unaffected, the resultant reduced demand for oil has significantly lowered oil prices since March 2020. A period of sustained lower oil prices may negatively affect demand for the Group's products and services from some customers. Therefore, as a result of the pandemic, the nature of the Group's business is such that in the next twelve months, there is expected to be greater variation in the value and timing of revenues from such customers.

As described in note 1 to the financial statements, the directors have prepared base case and sensitised projected cash flow information for the twelve months from the date of approval of these financial statements. Based on these forecasts, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statement on a going concern basis.

### Future developments

The Hydrasun Group intends to continue to develop its UK and International markets in the financial year 2020/21, including new market segments outwith Oil and Gas including Hydrogen Fuel Cell Technologies, Wind Turbines and Carbon Capture, Usage and Storage (CCUS).

Signed on behalf of the board:



**R S Drummond**  
Director

48 Grosvenor Street  
London  
W1K 3HW

10 July 2020

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2020.

### Directors

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

G J Doherty  
R S Drummond

### Dividends

The directors do not recommend the payment of a dividend.

### Employee communications and involvement

For employees within its group, the company 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. 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.

### Engagement with Employees, Suppliers, Customers and Others

Relationships with stakeholders are of strategic importance to the company and these matters are therefore dealt with in the strategic report (under section 172 obligations).

### 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 2020

## **Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing the 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 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.





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

### **Opinion**

We have audited the financial statements of Hydrasun Group Finance Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and loss account and other comprehensive income, the Balance sheet, the Statement of Changes in Equity 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 company's affairs as at 31 March 2020 and of its 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 company 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.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that 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 its 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 company's business model and analysed how those risks might affect the 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 company will continue in operation. .

### **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.

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

*(continued)*

### **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, 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their 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; 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 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 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](http://www.frc.org.uk/auditorsresponsibilities).

### **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.



**David Derbyshire (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Marischal Square  
Broad Street Aberdeen  
AB10 1DD

Date 13 July 2020

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 March 2020*

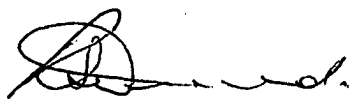
	<i>Note</i>	<b>2020 £000</b>	<b>2019 £000</b>
Administrative expenses	2	-	-
<b>Operating loss</b>	2-4	-	-
Interest payable and similar expenses	5	(16,038)	(19,160)
<b>Loss before taxation</b>	2-4	(16,038)	(19,160)
Tax on loss	6	-	-
<b>Loss for financial year</b>		(16,038)	(19,160)
Other comprehensive income		-	-
<b>Total comprehensive expense for the year</b>		(16,038)	(19,160)

## Balance Sheet

at 31 March 2020

	Note	2020 £000	2019 £000
<b>Fixed assets</b>			
Investments	7	240	240
<b>Current assets</b>			
Debtors (amounts falling due after more than one year)	8	99,887	99,938
		<u>99,887</u>	<u>99,938</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(11,100)</u>	<u>(11,100)</u>
<b>Net current assets</b>		<u>88,787</u>	<u>88,838</u>
<b>Total assets less current liabilities</b>		<u>89,027</u>	<u>89,078</u>
<b>Total net assets employed before financing</b>		<u>89,027</u>	<u>89,078</u>
<b>Creditors: amounts falling due after more than one year</b>			
Shareholder loan notes, including rolled up interest and unamortised issue costs	10	205,965	189,978
Called up share capital	12	240	240
Profit and loss account		<u>(117,178)</u>	<u>(101,140)</u>
<b>Total capital and reserves</b>		<u>(116,938)</u>	<u>(100,900)</u>
<b>Total financing</b>		<u>89,027</u>	<u>89,078</u>

These financial statements were approved by the board of directors on 10 July 2020 and were signed on its behalf by:



**R S Drummond**  
Director

## Statement of Changes in Equity

*For the year ended 31 March 2019*

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total £000</b>
Balance at 1 April 2018	240	(81,980)	(81,740)
<b>Total comprehensive expense for the year</b>			
Loss for the year	-	(19,160)	(19,160)
Total comprehensive expense for the year	-	(19,160)	(19,160)
<b>Balance at 31 March 2019</b>	<b>240</b>	<b>(101,140)</b>	<b>(100,900)</b>

## Statement of Changes in Equity

*For the year ended 31 March 2020*

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total £000</b>
Balance at 1 April 2019	240	(101,140)	(100,900)
<b>Total comprehensive expense for the year</b>			
Loss for the year	-	(16,038)	(16,038)
Total comprehensive expense for the year	-	(16,038)	(16,038)
<b>Balance at 31 March 2020</b>	<b>240</b>	<b>(117,178)</b>	<b>(116,938)</b>

## Notes

*(forming part of the financial statements)*

### 2 Accounting policies

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

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.

These 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 company’s ultimate parent undertaking, Hydrasun Group Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of Hydrasun Group Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Hydrasun Group Holdings Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- 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 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 not made any critical accounting judgments. Critical estimates relate to the assessment of the recoverable amount of debtors from subsidiary undertakings. This assessment is based on the underlying net assets of the subsidiary undertaking and, where net assets do not give sufficient coverage of the recoverability of the debtor, forecast future cash flows. The estimated recoverable amount of debtor balances can therefore be subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Going concern

The financial statements for the company have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

At 31 March 2020 the company has net liabilities of £116,938,000 (2019: £100,900,000). The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Hydrasun Group Holdings Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Hydrasun Group Holdings Limited not seeking repayment of the amounts currently due to the group and providing additional financial support during that period. Hydrasun Group Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The company is a subsidiary of the Hydrasun Group Holdings Limited group ("the Group"). As a result, the directors of the company have assessed going concern by reference to financial information and forecasts of the Group and company. At the year end, the Group had cash at bank of £5.3 million and at 31 May 2020 held cash of £8.5 million. The Group's bank debt comprises a term loan of £29.0m which is repayable in March 2022, unless the facility is extended. Group shareholder loan notes of £226.7 million have terms which do not expire before 2063.

At the date of signing these financial statements, the COVID-19 outbreak continues to be a global pandemic. The Group continues to trade with its customers and suppliers. However, whilst the Group's operations continue largely unaffected, the resultant reduced demand for oil has significantly lowered oil prices since March 2020. A period of sustained lower oil prices may negatively affect demand for the Group's products and services from some customers. Other customers in other market segments may also be impacted by the adverse economic environment caused by the pandemic. Therefore, in the next twelve months, there could be greater variation in the value and timing of revenues from such customers.

To reflect this outlook, the Group's directors have prepared base case projected cash flow information for the twelve months from the date of approval of these financial statements in which revenues are reduced compared with the year to 31 March 2020. In the first three months of the new financial year, subsequent to the year end, the Group has traded in line with this budget. On the basis of this cash flow information the directors consider that the Group will continue to operate within the liquidity available under its existing borrowing facilities and will continue to comply with agreed quarterly financial covenants under the Group's bank facility.

Financial covenants principally comprise quarterly tests on a rolling twelve month basis for EBITDA tested against net financial indebtedness and EBITDA tested against interest. Covenant compliance is dependent on the value and timing of revenues from customers between quarterly periods and the Group's ability to control costs, if required. The directors have produced a reasonably possible, severe but plausible downside sensitivity in which the base case projected revenues are reduced by a further seven percent, partly offset by controllable cost savings which are considered to be achievable if required in the forecast period. Under this downside sensitivity, the Group continues to have sufficient liquidity and quarterly financial covenants are met. There is however limited forecast EBITDA against net financial indebtedness headroom at the 31 March and 30 June 2021 testing dates, though this headroom is expected to be sufficient should revenues reduce further and approximate to levels reported during the previous oil price downturn.

Consequently, the directors of the company are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity 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.

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.

#### 1.4 Basic financial instruments

##### *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.

##### *Investments in subsidiaries*

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Basic financial instruments (continued)

##### *Amounts due to group undertakings*

Amounts due to group undertakings 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 amounts due to group undertakings.

#### 1.5 Impairment

##### *Financial assets (including amounts due to group undertakings)*

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 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").

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 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.

#### 1.6 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.

**1 Accounting policies (continued)**

**1.6 Taxation (continued)**

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 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.

**2 Notes to the profit and loss account**

Auditor's remuneration £3,000 (2019: £3,000) was borne by another group company, Hydrasun Limited. Fees paid to the company's auditor, KPMG LLP, and its associates for services other than the statutory audit of the company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated financial statements of the company's ultimate parent undertaking.

**3 Remuneration of directors**

No remuneration was paid in the year (2019: £nil) to the directors for provision of qualifying services to the company. The directors also hold office in other group undertakings. Emoluments, paid to the directors for services to other group companies are disclosed within their financial statements.

**4 Staff numbers and costs**

The company had no employees in the current and prior year, other than the directors.

## Notes (continued)

### 5 Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on loan notes	16,038	19,160

### 6 Taxation

#### Analysis of charge in the year

	2020 £000	2019 £000
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Tax on loss	-	-

There is no tax charge for the current or prior year. This differs from the standard rate of corporation tax in the UK 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
<i>Total tax reconciliation</i>		
Loss for the year	(16,038)	(19,160)
Loss excluding tax	(16,038)	(19,160)
Tax using the UK corporation tax rate of 19% (2019: 19%)	(3,047)	(3,640)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,047	3,640
Total tax charge (see above)	-	-

#### Factors affecting the future tax charge

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset/liability at 31 March 2020 has been calculated at 19% (2019:17%).

## Notes (continued)

### 7 Investments

Shares in  
subsidiary  
undertakings  
£000

#### Cost and net book value

At beginning and end of the year 240

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 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)

### 8 Debtors

	2020 £000	2019 £000
Amounts owed by group undertakings	99,887	99,938

Amounts owed by group undertakings are forecast to be settled after more than one year.

### 9 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Amounts owed to group undertakings	11,100	11,100

### 10 Financing

	2020 £000	2019 £000
Loan notes	104,638	104,638
Accrued interest on loan notes	101,327	85,340
	205,965	189,978

£95m of loan notes bear interest at 10.5% per annum (0% from 1 January 2020) and the accrued interest is satisfied by the issue of loan notes accruing interest at the same rate. The loan notes were issued on the 14 March 2013 and are redeemable on 14 March 2063.

£9m of loan notes bear interest at 14.0% per annum and the accrued interest is satisfied by the issue of loan notes accruing interest at the same rate. The loan notes were issued on the 18 December 2017 and are redeemable on 18 December 2067.

No amounts relating to the loan notes are payable within one year as the accrued interest is repayable on redemption.

Loan notes are issued to the shareholders of Hydrasun Group Holdings Limited, including directors and management,

## Notes (continued)

### 11 Interest bearing loans and borrowings

	2020 £000	2019 £000
Creditors falling due after more than one year		
Loan notes	205,965	189,978

Loan notes are amounts repayable after five years of £205,965,000 (2019: £189,978,000).

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020 £000	2019 £000
Loan notes	GBP	10.5% / 0%	2063	Redemption	193,634	179,236
	GBP	14.0%	2067	Redemption	12,331	10,742
Debt can be analysed:					2020	2019
Loan notes					£000	£000
Amounts falling due						
Over five years					205,965	189,978
					205,965	189,978

### 12 Called up share capital

	2020 £000	2019 £000
<i>Allotted, called up and fully paid</i>		
239,695 Ordinary shares of £1 each	240	240

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 company.

### 13 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 England.

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.

The registered address of Hydrasun Group Holdings Limited is 48 Grosvenor Street, London, W1K 3HW.

Funds managed by Investcorp Bank BSC are the majority shareholder of Hydrasun Group Holdings Limited 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.