

COMPANY REGISTRATION NO. SC132331

HYDRO GROUP LIMITED

Report and audited accounts

31 March 2020

TUESDAY



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30/03/2021

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COMPANIES HOUSE

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DIRECTORS' REPORT

31 March 2020

The directors submit their report, the strategic report and the audited accounts of the group for the year ended 31 March 2020.

RESULTS AND DIVIDENDS

The results for the year are set out in the accounts and the related notes.

Dividends totalling £125,000 were paid during the year.

DIRECTORS

The directors who served during the year were as follows:

D J Whyte

E M Blair

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report, the strategic report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these accounts, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently.
- (ii) make judgements and estimates that are reasonable and prudent.
- (iii) state whether applicable accounting policies have been followed, subject to any material departures disclosed and explained in the accounts.
- (iv) 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 group's transactions and disclose with reasonable accuracy, at any time, the financial position of the company and the group and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (continued)
31 March 2020

DIRECTORS' RESPONSIBILITIES (continued)

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's websites. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The group's financial assets and liabilities consist of trade debtors and creditors, cash balances, bank finance, loans, finance leases and hire purchase contracts.

The directors manage the group's exposure to financial risk by researching the credit worthiness of customers and by seeking advice from the group's providers of finance and its other external financial advisers.

Currency risk is restricted to the short term settlement of trading balances with customers and suppliers.

The group does not trade speculatively in derivatives or similar instruments.

FORMAT OF ACCOUNTS

On 8 September 2020, the company re-registered as a private company. The directors have decided that the company's accounts for the year ended 31 March 2020 should be presented to include the full disclosure requirements of a public limited company, as the company was a public limited company at 31 March 2020.

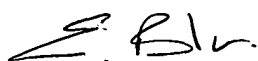
AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant information and to establish that the company's auditors are aware of that information.

STRATEGIC REPORT

Certain matters, including research and development spending, required by regulation to be dealt with in the annual report have been dealt with in the strategic report which follows, rather than in the directors' report.

By Order of the Board



E M BLAIR
Director and Secretary

18 January 2021

STRATEGIC REPORT

31 March 2020

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

BUSINESS REVIEW

The principal activities of the group continue to relate to the design and manufacture of subsea electrical and optical connectors, electrical pressure hull penetrators and associated subsea electrical cable terminations, the installation of electrical and optical connectors and the design and manufacture of specialist subsea and harsh environment electrical and optical composite cables, tethers and umbilicals.

Details of the group turnover and results for the year are shown in the consolidated profit and loss account and the related notes.

The excellent performance that the Hydro Group team has delivered for the financial year end 2020 is very pleasing. Our immediate objective was a robust management of the Covid – 19 pandemic. Ensuring that we dealt with the anxiety and concerns regarding safety of staff and their families was paramount.

We responded with great agility by rapidly adapting working processes and practices whilst continuing to deliver to our key customers. Minor production issues were kept to a minimum with focused leadership and precise management of the transformation initiatives.

The year was finalised with a strong order book despite the impact of the Covid – 19 virus. Our defence markets remain strong in the coming year. Energy markets have weakened due to the pandemic, however, we are optimistic that a recovery will be evident in the latter quarters of the next financial year.

Business development remains challenging due to travel restrictions in place globally, as all exhibitions and conferences have been cancelled until 2021. Currently our focus is in further development of transformation projects including process standardisation, improved commercial acumen, project management and global sales.

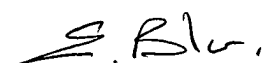
PRINCIPAL RISKS AND UNCERTAINTIES

The group remains conscious of the risks and uncertainties to business caused by the current economic climate.

RESEARCH AND DEVELOPMENT

The group continues with the design and development of its own products.

By Order of the Board



E M BLAIR
Director and Secretary

18 January 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDRO GROUP LIMITED

OPINION

We have audited the financial statements of Hydro Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the balance sheet, the consolidated statement of cash flows and the group and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER

We draw attention to notes 11 and 12 to the financial statements which give details of amounts totalling £439,136 (group) and £473,596 (parent company) still outstanding from Hydro Products Asia Pte. Ltd, Turnstone Marine Systems Limited and Hydro Group Systems Inc. Our opinion is not modified in this respect.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDRO GROUP LIMITED (continued)

THE AUDIT REPORT AND AUDITOR'S DUTY OF CARE TO THIRD PARTIES

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on pages 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

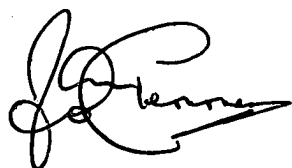
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYDRO GROUP LIMITED
(continued)

USE OF OUR REPORT

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.

A handwritten signature in black ink, appearing to read 'John Clemmence', with a stylized flourish at the end.

JOHN CLEMMENCE FCA CTA (senior statutory auditor)

For and on behalf of
CLEMMENCE & CO
Chartered Accountants
and Statutory Auditors
Linton
Rawdon Hall Drive
Rawdon
LEEDS LS19 6HD

18 January 2021

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2020

	note	2020 £	2019 £
TURNOVER	2	15,896,680	10,928,291
Change in stock and work in progress		(43,138)	817,434
Raw materials and consumables		(4,719,772)	(4,358,242)
Other operating charges		(1,911,408)	(1,343,850)
Staff costs	4	(5,067,147)	(5,115,280)
Depreciation		(701,105)	(627,619)
OPERATING PROFIT	3	3,454,110	300,734
Interest receivable		477	330
Interest payable and similar charges	5	(146,553)	(182,701)
PROFIT BEFORE TAXATION		3,308,034	118,363
Tax on profit	6	651,090	(19,881)
PROFIT AFTER TAXATION	7 & 19	2,656,944	138,244

CONTINUING OPERATIONS

Turnover and operating profit derive wholly from continuing operations.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit before taxation	3,308,034	118,363
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	178,216	178,215
Historical cost profit before taxation	3,486,250	296,578
Historical cost profit after taxation	2,835,160	316,459

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	note	2020 £	2019 £
PROFIT FOR THE FINANCIAL YEAR		2,656,944	138,244
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation of plant and machinery	18	1,904,439	-
Deferred tax on surplus on revaluation of plant and machinery	18	(361,843)	-
Surplus on disposal of subsidiary undertaking	19	236,222	-
TOTAL COMPREHENSIVE INCOME		<u>4,435,762</u>	<u>138,244</u>

GROUP STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2020

	note	Called up share capital £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 April 2019		77,778	33,333	356,433	4,809,522	5,277,066
PROFIT FOR THE FINANCIAL YEAR		-	-	-	2,656,944	2,656,944
ISSUE OF SHARES	16	77,782	-	-	-	77,782
SURPLUS ON REVALUATION OF PLANT AND MACHINERY, LESS DEFERRED TAX	18	-	-	1,542,596	-	1,542,596
SURPLUS ON DISPOSAL OF SUBSIDIARY UNDERTAKING	19	-	-	-	236,222	236,222
DIVIDENDS PAID AND PAYABLE	25	-	-	-	(125,000)	(125,000)
TRANSFER		-	-	(178,216)	178,216	-
At 31 March 2020		<u>155,560</u>	<u>33,333</u>	<u>1,720,813</u>	<u>7,755,904</u>	<u>9,665,610</u>

The total equity is wholly attributable to equity interests.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2020

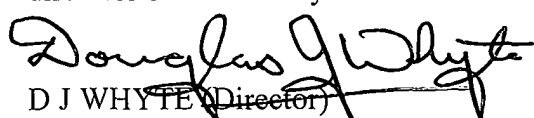
	note	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 April 2019		77,778	33,333	1,364,839	1,475,950
PROFIT FOR THE FINANCIAL YEAR		-	-	342,233	342,233
DIVIDENDS PAID AND PAYABLE	25	-	-	(125,000)	(125,000)
ISSUE OF SHARES	16	77,782	-	-	77,782
At 31 March 2020		<u>155,560</u>	<u>33,333</u>	<u>1,582,072</u>	<u>1,770,965</u>

The total equity is wholly attributable to equity interests.

CONSOLIDATED BALANCE SHEET
31 March 2020

		2020	2019
	notes	£	£
FIXED ASSETS			
Tangible assets	8	8,538,495	6,712,782
Investments	9	25,656	-
		<u>8,564,151</u>	<u>6,712,782</u>
CURRENT ASSETS			
Stocks	10	3,298,300	3,341,438
Debtors	11	3,478,613	2,546,143
Cash at bank and in hand		2,988,368	789,459
		<u>9,765,281</u>	<u>6,677,040</u>
Creditors: amounts falling due within one year	12	4,702,240	4,350,747
		<u>5,063,041</u>	<u>2,326,293</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		13,627,192	9,039,075
Creditors: amounts falling due after more than one year	13	(3,325,834)	(3,449,724)
Provisions for liabilities			
Deferred taxation	15	(635,748)	(312,285)
		<u>9,665,610</u>	<u>5,277,066</u>
CAPITAL AND RESERVES			
Called up share capital	16	155,560	77,778
Capital redemption reserve	17	33,333	33,333
Revaluation reserve	18	1,720,813	356,433
Profit and loss account	19	7,755,904	4,809,522
SHAREHOLDERS' FUNDS		<u>9,665,610</u>	<u>5,277,066</u>

The financial statements on pages 7 to 28 were approved and authorised for issue by the board of directors on 18 January 2021 and were signed on its behalf by:


D J WHYTE (Director)


E M BLAIR (Director and Secretary)

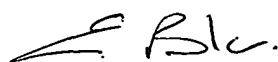
BALANCE SHEET

31 March 2020

		2020		2019	
	note	£	£	£	£
FIXED ASSETS					
Tangible assets	8		5,232,673		5,350,161
Investments	9		753,409		753,409
			<u>5,986,082</u>		<u>6,103,570</u>
CURRENT ASSETS					
Debtors	11	397,973		79,742	
Cash at bank		58,028		71,116	
		<u>456,001</u>		<u>150,858</u>	
Creditors: amounts falling due within one year	12	1,283,068		1,237,432	
		<u>1,283,068</u>		<u>1,237,432</u>	
NET CURRENT LIABILITIES			(827,067)		(1,086,574)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,159,015</u>		<u>5,016,996</u>
Creditors: amounts falling due after more than one year	13		(3,253,499)		(3,399,280)
Provisions for liabilities					
Deferred taxation	15		(134,551)		(141,766)
			<u>1,770,965</u>		<u>1,475,950</u>
CAPITAL AND RESERVES					
Called up share capital	16		155,560		77,778
Capital redemption reserve	17		33,333		33,333
Profit and loss account	19		1,582,072		1,364,839
SHAREHOLDERS FUNDS			<u>1,770,965</u>		<u>1,475,950</u>

The financial statements on pages 7 to 28 were approved and authorised for issue by the board of directors on 18 January 2021 and were signed on its behalf by:


D J WHYTE (Director)



E M BLAIR (Director and Secretary)

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2020

CASH FLOW STATEMENT		2020	2019
	note	£	£
Operating activities	20	2,821,772	1,153,479
Investing activities	22	(390,613)	(405,488)
Financing activities	23	(232,250)	(610,069)
		-----	-----
Increase in cash		2,198,909	137,922
		=====	=====

NOTES TO THE ACCOUNTS

31 March 2020

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Financial Reporting Standard 102 applicable in the UK and Republic of Ireland and the Companies Act 2006.

The financial statements are presented in sterling, which is the functional currency of the company and are rounded to the nearest pound.

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets.

BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the year ended 31 March 2020. As provided by section 408 of the Companies Act 2006 no profit and loss account is presented for Hydro Group Limited.

PRINCIPAL ACTIVITIES

The principal activities of the group relate to the design and manufacture of subsea electrical and optical connectors, electrical pressure hull penetrators and associated subsea electrical cable terminations, the installation of electrical and optical connectors and the design and manufacture of specialist subsea and harsh environment electrical and optical composite cables, tethers and umbilicals.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated in the balance sheet at cost or valuation less accumulated depreciation.

Fixed assets, other than land, are depreciated on a straight line basis over their estimated useful lives as follows:

	Annual rate
Long leasehold buildings	2%
Moulds	20%
Plant and machinery	10% - 33%
Fixtures, fittings and equipment	10% - 33%
Motor vehicles	25%

Depreciation is normally calculated on a monthly basis commencing in the month following acquisition with no charge being made in the month of disposal.

Where assets have been revalued the depreciation charge in the profit and loss account is based on the revalued amount with a transfer being made from the revaluation reserve of the amount equivalent to the additional depreciation on the revalued assets.

NOTES TO THE ACCOUNTS (continued)
31 March 2020

1 ACCOUNTING POLICIES (continued)

ASSOCIATED UNDERTAKINGS

The financial statements of associated undertakings are included in the group financial statements using the equity method of accounting.

STOCK AND WORK IN PROGRESS

Stock is stated at the lower of cost and net realisable value.

Work in progress and manufactured stock is stated at the direct cost of labour and materials, with the addition of an appropriate proportion of factory overheads, or at net realisable value if lower.

Cost has been calculated by reference to invoiced amounts. Net realisable value comprises anticipated proceeds of sale less anticipated costs relating thereto.

DEFERRED TAXATION

Full provision is made for the deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

LEASING AND HIRE PURCHASE COMMITMENTS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the payments is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

GOVERNMENT GRANTS

Government grants are credited against the costs to which they relate when the grant is received by the company.

TURNOVER

Turnover which is stated net of value added tax represents the total amount receivable in the ordinary course of business for goods sold, after deducting discounts given and credit notes issued.

NOTES TO THE ACCOUNTS (continued)
31 March 2020

1 ACCOUNTING POLICIES (continued)

PENSIONS

The group operates money purchase pension schemes, the assets of which are held by independent managers.

The pension costs charged in the profit and loss account represent the contributions payable by the group in the year.

RESEARCH AND DEVELOPMENT EXPENDITURE

Development expenditure which meets the required criteria is deferred and amortised on a straight line basis at an annual rate of 33%. All other research and development expenditure is written off in the year in which it is incurred.

2 ANALYSIS OF TURNOVER

The group operates within the following geographical markets.

	2020	2019
	£	£
United Kingdom	12,692,715	6,339,468
Rest of Europe	1,039,905	1,464,375
Asia	633,794	1,164,654
Australasia	187,748	126,467
Middle East	53,154	49,860
North America	55,054	67,719
United States of America	1,098,005	1,689,951
Africa	136,305	25,797
	-----	-----
	15,896,680	10,928,291
	=====	=====

NOTES TO THE ACCOUNTS (continued)
31 March 2020

3	OPERATING PROFIT	2020	2019
	is stated after charging:	£	£
	Stock recognised as an expense in the year	4,762,910	3,540,808
	Depreciation		
	-owned assets	672,564	624,224
	-assets held under finance leases		
	and hire purchase contracts	28,541	3,395
	Auditors remuneration - audit	12,400	14,000
	- other services	7,500	7,000
	Operating lease rentals		
	-land and buildings	40,236	62,433
	-equipment	18,159	13,737
	Directors' management remuneration	305,420	340,916
	Directors' contributions to money		
	purchase pension schemes	8,358	9,851
		=====	=====
	and after crediting:	2020	2019
		£	£
	Profit on disposal of tangible fixed assets	21,200	4,166
		=====	=====
	DIRECTORS' REMUNERATION	2020	2019
		£	£
	Highest paid director (included above)		
	Management remuneration	239,816	237,472
	Pension contributions to money purchase		
	sion schemes	-	450
		-----	-----
		239,816	237,922
		=====	=====

There is 1 (2019:2) director to whom retirement benefits are accruing under money purchase pension schemes.

NOTES TO THE ACCOUNTS (continued)
31 March 2020

4 STAFF NUMBERS AND COSTS

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

	Number of employees	
	2020	2019
Production	93	93
Sales and distribution	9	6
Administration	14	18
	-----	-----
	116	117
	=====	=====

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	4,466,599	4,493,015
Social security costs	447,028	435,357
Pension costs	93,306	115,942
	-----	-----
	5,006,933	5,044,314
Other costs	60,214	70,966
	-----	-----
	5,067,147	5,115,280
	=====	=====

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank borrowings	144,251	178,232
Hire purchase interest	2,302	4,469
	-----	-----
	146,553	182,701
	=====	=====

NOTES TO THE ACCOUNTS (continued)
31 March 2020

6 TAXATION

	2020 £	2019 £
UK corporation tax – current year	687,928	51,337
- prior years	1,542	(64,261)
	-----	-----
Deferred taxation – current year	689,470	(12,924)
- prior years	(34,509)	(6,957)
	(3,871)	-
	-----	-----
Tax on profit on ordinary activities	651,090	(19,881)
	=====	=====

Factors affecting the tax charge for the year.

The tax charge for the year is higher than the standard rate of corporation tax in the UK.

The differences are explained below

	2020 £	2019 £
Profit before tax	3,308,034	118,363
	=====	=====
Profit multiplied by standard rate of UK corporation tax of 19%	628,527	22,489

Effects of:

Expenses not deductible for tax purposes	9,899	15,816
Adjustment in respect of prior years	(2,329)	(64,261)
Research and development - enhanced expenditure	(374)	(1,542)
Overseas losses	23,260	8,343
Movement on unrealised profit in stock	(7,893)	(726)
	-----	-----
Tax on profit for the year	651,090	(19,881)
	=====	=====

7 PROFIT ON HYDRO GROUP LIMITED

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit for the financial year includes a profit of £342,233 (2019:£439,745) which is dealt with in the financial statements of the parent company.

NOTES TO THE ACCOUNTS (continued)

31 March 2020

8 TANGIBLE FIXED ASSETS

GROUP

	Long leasehold property £	Fixtures, fittings and equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 April 2019	6,215,705	1,029,659	2,478,651	59,595	9,783,610
Additions	-	189,453	477,829	-	667,282
Disposals	-	(131,217)	(160,000)	-	(291,217)
Revaluation	-	-	315,988	-	315,988
	-----	-----	-----	-----	-----
At 31 March 2020	6,215,705	1,087,895	3,112,468	59,595	10,475,663
	-----	-----	-----	-----	-----
Depreciation					
At 1 April 2019	865,544	932,359	1,236,834	36,091	3,070,828
Charge for the year	117,488	63,394	514,103	6,120	701,105
Disposals	-	(126,314)	(120,000)	-	(246,314)
Revaluation	-	-	(1,588,451)	-	(1,588,451)
	-----	-----	-----	-----	-----
At 31 March 2020	983,032	869,439	42,486	42,211	1,937,168
	-----	-----	-----	-----	-----
Net book value:					
At 31 March 2020	5,232,673	218,456	3,069,982	17,384	8,538,495
	=====	=====	=====	=====	=====
At 31 March 2019	5,350,161	97,300	1,241,817	23,504	6,712,782
	=====	=====	=====	=====	=====
Net book value included above of assets held under hire purchase contracts			197,000		197,000
			=====		=====

Plant and machinery was valued at 10 March 2020 at £2,818,575 on a going concern basis by Thainstone Specialist Auctions, Auctioneers and Valuers.

If plant and machinery had not been revalued it would have been included at the following amounts.

	2020 £	2019 £
Cost	3,811,618	3,493,789
Accumulated depreciation	3,149,191	2,933,304
	-----	-----
Net book value	662,427	560,485
	=====	=====

NOTES TO THE ACCOUNTS (continued)
31 March 2020

8 TANGIBLE FIXED ASSETS (continued)

COMPANY	Long leasehold property £
Cost	
At 1 April 2019 and 31 March 2020	6,215,705

Depreciation	
At 1 April 2019	865,544
Charge for the year	117,488

At 31 March 2020	983,032

Net book value:	
At 31 March 2020	5,232,673
	=====
At 31 March 2019	5,350,161
	=====

9 INVESTMENTS HELD AS FIXED ASSETS

GROUP

Shares in associated undertaking at cost

	2020	2019
	£	£
Addition during the year	25,656	-
	=====	=====

At 31 March 2020, the company owned approximately 47.6% of the issued share capital of Hydro Products Asia Pte. Ltd, a company incorporated in Singapore. On 9 April 2019, Hydro Group Asia Pte. Ltd changed its name to Hydro Products Asia Pte. Ltd.

On 23 September 2020, the company sold its holding of 50,000 ordinary shares of 1 Singapore dollar each to D J Whyte for a consideration of £ 27,684.

COMPANY

Shares in subsidiary undertakings at cost

	2020	2019
	£	£
At 1 April 2019	753,409	753,409
Disposal	(25,656)	-
	<u>727,753</u>	<u>753,409</u>
Shares in associated undertaking at cost		
Addition during the year	25,656	-
	-----	-----
At 31 March 2020	753,409	753,409
	=====	=====

NOTES TO THE ACCOUNTS (continued)
31 March 2020

9 INVESTMENTS HELD AS FIXED ASSETS (continued)

At 31 March 2020 the company owned the whole of the issued share capital of Hydrobond Engineering Limited and Hydro-Cable Systems Limited incorporated in Scotland, Hydro Group Systems Inc. incorporated in the United States of America and Hydro Group Australia Pty Ltd incorporated in Australia.

The registered offices of the subsidiary undertakings are:

Hydrobond Engineering Limited and Hydro-Cable Systems Limited - Hydro House, Claymore Avenue, Aberdeen Energy Park, Bridge of Don, Aberdeen, Scotland, AB23 8GW.

Hydro Group Systems Inc. - 2188 Palm Way, Largo, FL33771, United States of America.

Hydro Group Australia Pty Ltd - William Buck (SA) PTY Limited, Level 6, 211 Victoria Square, Adelaide SA5000, Australia.

The principal activities of the subsidiary undertakings are shown in the strategic report.

On 9 May 2019, Hydro Products Asia Pte. Ltd issued 55,000 ordinary shares at 1 Singapore dollar per share to D J Whyte. The parent company's shareholding in Hydro Products Asia Pte. Ltd was thereby reduced from 100% to approximately 47.6% and Hydro Products Asia Pte. Ltd ceased to be a subsidiary undertaking.

10	STOCKS	2020 £	2019 £
	Raw materials and consumables	2,349,841	1,484,400
	Work in progress, less payments on account	740,386	1,496,477
	Finished goods	208,073	360,561
		-----	-----
		3,298,300	3,341,438
		=====	=====

11	DEBTORS	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
	Amounts falling due within one year				
	Trade debtors	2,769,877	-	2,375,751	-
	Other debtors	151,506	69,598	88,812	70,223
	Prepayments	96,079	11,125	81,580	9,519
	Amounts due from associated undertaking	461,151	317,250	-	-
		-----	-----	-----	-----
		3,478,613	397,973	2,546,143	79,742
		=====	=====	=====	=====

Other debtors at 31 March 2020 includes an amount of £69,598 due from Turnstone Marine Systems Limited, a company in which D J Whyte has an interest. This amount is still outstanding. The directors consider that this amount will be repaid in full. Turnstone Marine Systems Limited made a loss before and after taxation of £4,868 for the year ended 31 March 2020 and had negative shareholder's funds at that date of £39,677.

Of the amounts due from the associated company, Hydro Products Asia Pte. Ltd, at 31 March 2020, £369,538 (group) and £294,300 (company) are still outstanding. The directors consider that these amounts will be repaid in full. Hydro Products Asia Pte. Ltd made a profit before and after taxation of £146,500 for the year ended 31 March 2020 and had negative shareholders' funds at that date of £31,286.

NOTES TO THE ACCOUNTS (continued)
31 March 2020

12 CREDITORS	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Amounts falling due within one year:				
Bank loans (note 14)	361,136	361,136	287,182	287,182
Trade creditors	787,752	212	858,153	-
Payments on account in excess of work in progress	1,945,323	-	2,576,428	-
Corporation tax	687,928	99,689	51,337	51,337
Other tax and social security	666,630	538,472	345,032	227,711
Accruals	115,687	10,010	77,904	14,097
Unpaid dividends	-	-	43,000	43,000
Obligations under finance leases and hire purchase contracts	23,860	-	12,880	-
Amounts due to group undertakings	-	273,549	-	614,105
Other creditors	113,924	-	98,831	-
	<u>4,702,240</u>	<u>1,283,068</u>	<u>4,350,747</u>	<u>1,237,432</u>

The net amount due to group undertakings of £273,549 at 31 March 2020 includes an amount of £109,698 due from Hydro Group Systems Inc., which is still outstanding. The directors consider that this amount will be repaid in full. Hydro Group Systems Inc. made a loss before and after taxation of £122,419 for the year ended 31 March 2020 and had negative shareholder's funds at that date of £349,946.

The finance lease and hire purchase obligations are secured over the specific assets for which finance has been given.

The company has entered into guarantees in connection with hire purchase contracts of its subsidiary undertakings. At 31 March 2020 the balance outstanding amounted to £96,195 (2019:£63,324).

13 CREDITORS	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Amounts falling due after more than one year:				
Bank loans (note 14)	3,253,499	3,253,499	3,399,280	3,399,280
Obligations under finance leases and hire purchase contracts maturing between two and five years (note 12)	72,335	-	50,444	-
	<u>3,325,834</u>	<u>3,253,499</u>	<u>3,449,724</u>	<u>3,399,280</u>

NOTES TO THE ACCOUNTS (continued)
31 March 2020

14 BANK BORROWINGS	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Repayable within one year				
Secured bank loans	361,136	361,136	287,182	287,182
Repayable in the second to fifth years				
Secured bank loans	1,537,408	1,537,408	1,153,759	1,153,759
Repayable after five years				
Secured bank loans	1,716,091	1,716,091	2,245,521	2,245,521
	----- 3,614,635 =====	----- 3,614,635 =====	----- 3,686,462 =====	----- 3,686,462 =====

The liability of the group and company to its bankers is secured by standard security over the company's long leasehold property, a charge over book debts and a floating charge over the whole of the group's and company's property and undertaking.

The secured bank loans are repayable by instalments and carry interest at 3.5% and 3.51% per annum.

15 DEFERRED TAXATION	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
At 1 April 2019	312,285	141,766	319,242	139,031
Credit for the year	(34,509)	(7,215)	(6,957)	2,735
Credit for prior years	(3,871)	-	-	-
Deferred tax on surplus on revaluation of plant and machinery	361,843	-	-	-
At 31 March 2020	----- 635,748 =====	----- 134,551 =====	----- 312,285 =====	----- 141,766 =====
Made up as follows:				
Accelerated capital allowances	25,095	134,551	54,758	141,766
On surplus on revaluation of plant and machinery	636,938	-	275,095	-
Unrealised profit in stock	(26,285)	-	(17,568)	-
	----- 635,748 =====	----- 134,551 =====	----- 312,285 =====	----- 141,766 =====

NOTES TO THE ACCOUNTS (continued)
31 March 2020

16 CALLED UP SHARE CAPITAL

	2020 £	2019 £
Allotted, called up and fully paid		
155,560 ordinary shares of £1 each	155,560	77,778
	=====	=====
On 18 November 2019, the company issued 77,782 ordinary shares of £1 each at par to D J Whyte.		

17 CAPITAL REDEMPTION RESERVE

	2020 £	2019 £
At 1 April 2019 and 31 March 2020	33,333	33,333
	=====	=====

18 REVALUATION RESERVE

	2020 £	2019 £
At 1 April 2019	356,433	534,648
Surplus on revaluation of plant and machinery	1,904,439	-
Deferred tax on surplus on revaluation of plant and machinery	(361,843)	-
Transfer to profit and loss account	(178,216)	(178,215)
	-----	-----
At 31 March 2020	1,720,813	356,433
	=====	=====

19 PROFIT AND LOSS ACCOUNT

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
At 1 April 2019	4,809,522	1,364,839	4,661,063	1,093,094
Profit for the year	2,656,944	342,233	138,244	439,745
Dividends	(125,000)	(125,000)	(168,000)	(168,000)
Surplus on disposal of subsidiary undertaking	236,222	-	-	-
Transfer from revaluation reserve	178,216	-	178,215	-
	-----	-----	-----	-----
At 31 March 2020	7,755,904	1,582,072	4,809,522	1,364,839
	=====	=====	=====	=====

NOTES TO THE ACCOUNTS (continued)
31 March 2020

20 RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATIONS

	2020 £	2019 £
Operating profit	3,454,110	300,734
Depreciation	701,105	627,619
Profit on disposal of tangible fixed assets	(21,200)	(4,166)
	-----	-----
	4,134,015	924,187
Movement on:		
Stocks	43,138	(817,434)
Debtors	(932,470)	(648,906)
Creditors	(370,032)	1,721,156
Taxation paid	(52,879)	(25,524)
	-----	-----
	2,821,772	1,153,479
	=====	=====

21 GROSS CASH FLOWS

	2020 £	2019 £
Interest receivable	477	330
Interest payable and similar charges	(146,553)	(182,701)
	-----	-----
	(146,076)	(182,371)
	=====	=====

22 INVESTING ACTIVITIES

	2020 £	2019 £
Payments to acquire tangible fixed assets	(667,282)	(409,654)
Proceeds from disposal of tangible fixed assets	66,103	4,166
Shares in associated undertaking	(25,656)	-
Surplus on disposal of subsidiary undertaking	236,222	-
	-----	-----
	(390,613)	(405,488)
	=====	=====

23 FINANCING ACTIVITIES

	2020 £	2019 £
Issue of shares	77,782	-
Bank loan advanced in the year	250,000	-
Bank loan repayments	(321,827)	(287,547)
Hire purchase finance advanced in the year	54,900	64,397
Hire purchase repayments	(22,029)	(36,548)
Interest receivable	477	330
Interest payable and similar charges	(146,553)	(182,701)
Dividends paid and payable	(125,000)	(168,000)
	-----	-----
	(232,250)	(610,069)
	=====	=====

NOTES TO THE ACCOUNTS (continued)
31 March 2020

24 FINANCIAL COMMITMENTS

- (a) At 31 March 2020 the company had no outstanding commitments under non-cancellable operating leases. Those outstanding for the group are set out below: -

	2020		2019	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring:				
Within one year	41,276	25,917	66,367	22,107
Between two and five years	42,229	57,775	79,218	68,045
	-----	-----	-----	-----
	83,505	83,692	145,585	90,152
	=====	=====	=====	=====

- (b) At 31 March 2020 the company had no capital commitments. The group had capital commitments of £390,490 (2019: £61,000) for which no provision has been made in the accounts.

25 RELATED PARTY TRANSACTIONS

Transactions involving directors

During the year the group purchased goods and received management charges of £510,947 under normal commercial terms from Hydro Products Asia Pte. Ltd. During the year the group also made sales of £305,115 under normal commercial terms to Hydro Products Asia Pte. Ltd. Debtors at 31 March 2020 includes an amount of £461,151 due from Hydro Products Asia Pte. Ltd. With effect from 9 May 2019, D J Whyte has an interest in Hydro Group Asia Pte. Ltd.

Other debtors at 31 March 2020 includes an amount of £69,598 due from Turnstone Marine Systems Limited, a company in which D J Whyte has an interest.

Dividends paid and payable to directors

	2020 £	2019 £
Ordinary dividends paid	125,000	125,000
Ordinary dividends proposed	-	43,000
	-----	-----
	125,000	168,000
	=====	=====

The dividends are paid and payable to D J Whyte and to Turnstone Marine Systems Limited Retirement Benefits Scheme, a pension scheme in which D J Whyte has an interest.

Controlling party

In the opinion of the directors the ultimate controlling related party of the company is D J Whyte by virtue of his majority shareholding.

NOTES TO THE ACCOUNTS (continued)
31 March 2020

26 LEGAL FORM OF COMPANY

Hydro Group Limited is a private company, limited by shares and incorporated in Scotland. On 8 September 2020, the company, formerly Hydro Group plc, re-registered as a private company. Its registered number is SC132331. The company's principal place of business, which is also its registered office is Hydro House, Claymore Avenue, Aberdeen Energy Park, Bridge of Don, Aberdeen, Scotland, AB23 8GW.