

Company Registration No. SC132331 (Scotland)

HYDRO GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

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HYDRO GROUP LIMITED

COMPANY INFORMATION

Directors	E M Blair M Gordon M Twaalfhoven
Secretary	Oakwood Corporate Secretary Limited
Company number	SC132331
Registered office	Hydro House Claymore Avenue Aberdeen Energy Park Bridge of Don Aberdeen AB23 8GW Scotland
Auditor	RSM UK Audit LLP Chartered Accountants 52-54 Queen's Road Aberdeen AB15 4YE

HYDRO GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

Up to 30 December 2022 the company was the immediate holding company and provided management services to its subsidiaries. At 30th December 2022, the directors of the company implemented an internal group reorganisation whereby the trade, assets and liabilities of its subsidiaries were transferred to the company and subsequently ceased trading (see note 12). Hydro Group Limited has become the trading company of the group from that date.

The company has a strong net asset position subsequent to the internal group reorganisation.

Prior to the transfer of the trade and assets, the subsidiaries showed improving results both at the revenue and profit level during the current year reported. The company expect these results to continue in the next financial year.

Principal risks and uncertainties

The principal risks of the group are the instability of supply, demand and consumption in the energy market. Despite this, the group continues to trade successfully and stay at the forefront of technology and product performance. The Group has a strong management team in place, a customer base operating in different sectors and the capability to adapt which should enable it to withstand the current conditions or any unforeseen events. The Group will however continue to monitor the position very closely.

On behalf of the board



.....
M Gordon

Director

12/07/23
Date:

HYDRO GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the period ended 31 December 2022.

Principal activities

Prior to the internal group reorganisation on 30 December 2022, the principal activity of the company was to act as a holding company and provide management services to group companies. Subsequent to this, the principal activity of the company is the design and manufacture of subsea electrical and optical connectors, electrical pressure hull penetrators and associated subsea electrical cable terminations and the installation of electrical and optical connectors.

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £4,652,053 (2021 - £3,029,683). The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

P H Albert	(Resigned 20 December 2022)
E M Blair	
J T Crane	(Resigned 13 June 2022)
N M Patel	(Resigned 20 December 2022)
M Gordon	
M M Pamboukis	(Resigned 20 December 2022)
M Twaalfhoven	(Appointed 13 June 2022)

Financial risk factors

Financial management policies are set at a group level for the Hydro Group Limited group of companies. The Group strategy is to be at the forefront of subsea research and development in subsea cabling and assemblies. As a result of this, the Group activities expose it to a number of financial risks including price risk, credit risk, liquidity risk and currency risk.

Price risk

Contracts are subject to competitive tendering and the directors are confident that the Group operates efficiently enough to meet the requirements of the market, and price their products and services appropriately.

Credit risk

The Group's financial assets are bank balances and trade and other debtors. The Group's credit risk is primarily attributable to its trade debtors, although the risk is not considered significant due to the profile of the Group's customers.

All new customers are initially set-up on a pro-forma basis and subsequent credit is provided on the receipt of references. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Group regularly monitors liquidity levels with the use of modelled cashflow information to ensure there are sufficient liquid assets at all times to cover cash flow movements and to meet all financial obligations.

Currency risk

Currency risk is restricted to the short term settlement of trading balances with customers and suppliers. The Group does not trade speculatively in derivatives and similar instruments. The majority of the Group transactions are in its functional currency.

HYDRO GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Future developments

The group will continue to provide high quality products and services to its client base and to seek new opportunities in order to continually improve its key performance indicators.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



.....
M Gordon
Director

Date: 12/07/23
.....

HYDRO GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report and 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 the directors have elected to prepare the financial statements 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 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 accounting estimates that are reasonable and prudent;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of Hydro Group Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 company's affairs as at 31 December 2022 and of its 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.

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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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, 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.

Responsibilities of directors

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, 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 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 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal tax advisors.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

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.

Grant Morrison

Grant Morrison CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
52-54 Queen's Road
Aberdeen
AB15 4YE
14/07/23.....

HYDRO GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December 2022 £	Period ended 31 December 2021 £
	Notes		
Turnover	3	175,000	315,000
Depreciation and impairment	5	(104,952)	(78,714)
Other operating expenses		(211,935)	(159,081)
Operating (loss)/profit	5	(141,887)	77,205
Income from shares in group undertakings	6	15,936,623	2,354,278
Other interest receivable and similar income	6	400	-
Other gains and losses	7	(703,091)	-
Profit before taxation		15,092,045	2,431,483
Tax on profit	8	37,610	(49,251)
Profit for the financial year	21	15,129,655	2,382,232

HYDRO GROUP LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	10	7,119,948		5,049,007	
Investments	11	-		703,091	
		<u>7,119,948</u>		<u>5,752,098</u>	
Current assets					
Stocks	14	2,970,771		-	
Debtors	15	4,796,161		289,034	
Cash at bank and in hand		2,051,512		42,922	
		<u>9,818,444</u>		<u>331,956</u>	
Creditors: amounts falling due within one year	16	<u>(4,450,531)</u>		<u>(4,599,977)</u>	
Net current assets/(liabilities)		<u>5,367,913</u>		<u>(4,268,021)</u>	
Total assets less current liabilities		<u>12,487,861</u>		<u>1,484,077</u>	
Provisions for liabilities	17	<u>(694,839)</u>		<u>(168,657)</u>	
Net assets		<u><u>11,793,022</u></u>		<u><u>1,315,420</u></u>	
Capital and reserves					
Called up share capital	19	155,560		155,560	
Capital redemption reserve	20	33,333		33,333	
Profit and loss reserves	21	11,604,129		1,126,527	
Total equity		<u><u>11,793,022</u></u>		<u><u>1,315,420</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 12/07/23 and are signed on its behalf by:



.....
M Gordon
Director

HYDRO GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2021		155,560	33,333	1,773,978	1,962,871
Period ended 31 December 2021:					
Profit and total comprehensive income for the period		-	-	2,382,232	2,382,232
Dividends	9	-	-	(3,029,683)	(3,029,683)
Balance at 31 December 2021		155,560	33,333	1,126,527	1,315,420
Year ended 31 December 2022:					
Profit and total comprehensive income for the year		-	-	15,129,655	15,129,655
Dividends	9	-	-	(4,652,053)	(4,652,053)
Balance at 31 December 2022		155,560	33,333	11,604,129	11,793,022

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Hydro Group Limited is a private company limited by shares and is registered and incorporated in Scotland. The registered office is Hydro House Claymore Avenue, Aberdeen Energy Park, Bridge of Don, Aberdeen, Scotland, AB23 8GW.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Hydro Group Limited is a wholly owned subsidiary of TPC UKCO Limited and the results of Hydro Group Limited are included in the consolidated financial statements of TPC UKCO Limited which are available from 3rd Floor 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT.

Business combinations

The cost of a business combination between a parent and its wholly owned subsidiary is the net book value at the acquisition date, of the assets given, and liabilities incurred or assumed if the transferor has distributable reserves. Otherwise, the cost of a business combination is recorded at fair value.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Going concern

On 30th December 2022, the directors of the company implemented an internal group reorganisation whereby the trade, assets and liabilities of its subsidiaries (as per note 13) have been transferred to this company and subsequently ceased trading. This company has become the trading subsidiary of the group from that date.

Post year end trading continues to be strong with sufficient liquidity to execute operations.

The directors, making due and careful enquiry, have prepared forecasts and have a reasonable expectation that the company has adequate resources to continue to operational existence for at least 12 months from the balance sheet signing date. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Long leasehold buildings	2% Straight-line
Plant and equipment	20%-33% Straight-line
Fixtures and fittings	10%-33% Straight-line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Stocks

Work in progress, manufactured stock and raw materials are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Provisions for excess or obsolete stock are recognised based on the extent to which stock can be utilised. The company have a provisioning policy which takes into account a number of factors including, but not limited to, the condition, age of stock and stock levels required for known and expected future orders.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material; the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

When turnover is recognised for the sale of goods, a provision is made for the estimated cost of the warranty obligations. The provision is measured based on the probability weighting of the cost of all possible outcomes under the warranty.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Depreciation rates

In determining depreciation rates, management must consider and make judgements on the residual value of the assets and their useful life to set depreciation rates.

Stock

In determining whether any provision for excess or obsolete stock is required management must consider and make judgements on the extent to which stock can be utilised by the company. The company have a provisioning policy which takes into account a number of factors including, but not limited to, the condition, age of stock and stock levels required for known and expected future orders. At 31 December 2022 there is a provision held of £45,926 for excess or obsolete stock.

Trade debtors

In determining whether any provision for trade debtors is required management must consider and make judgements on the ability of their customers to pay amounts falling due. The company have a provisioning policy which takes into account a number of factors including, but not limited to, the expected ability of customers to make payment and the payment history of customers. At 31 December 2022 there is no provision held for outstanding trade debtor balances.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover and other revenue

	2022 £	2021 £
Turnover analysed by class of business		
Sale of services	175,000	315,000

	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	175,000	315,000

4 Employees

There were no employees during the current or the prior year apart from the directors.

5 Operating (loss)/profit

	2022 £	2021 £
Operating (loss)/profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	7,850	10,000
Depreciation of owned tangible fixed assets	104,953	78,714

6 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	400	-
Income from fixed asset investments		
Income from shares in group undertakings	15,936,623	2,354,278
Total income	15,937,023	2,354,278
Disclosed on the income statement as follows:		
Income from shares in group undertakings	15,936,623	2,354,278
Other interest receivable and similar income	400	-

7 Other gains and losses

	2022 £	2021 £
Other gains and losses	(703,091)	-

Other gains and losses relates to the impairment of fixed asset investments. See note 11 for further information.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

8 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	-	25,405
Adjustments in respect of prior periods	-	(8,897)
Total current tax	-	16,508
Deferred tax		
Origination and reversal of timing differences	(37,610)	30,136
Adjustment in respect of prior periods	-	2,607
Total deferred tax	(37,610)	32,743
Total tax (credit)/charge	(37,610)	49,251

The total tax (credit)/charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	15,092,045	2,431,483
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	2,867,489	461,982
Tax effect of expenses that are not deductible in determining taxable profit	134,279	69,160
Adjustments in respect of prior years	-	(8,897)
Remeasurement of deferred tax for changes in tax rates	114,283	40,478
Group income	(3,028,650)	(516,079)
Deferred tax adjustments in respect of prior years	-	2,607
Tax effect of amounts transferred from group companies in respect of fixed assets and provisions in group reorganisation	(137,335)	-
Group relief surrendered	12,324	-
Taxation (credit)/charge for the year	(37,610)	49,251

9 Dividends

	2022 £	2021 £
Final paid	4,652,053	3,029,683

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Tangible fixed assets

	Long leasehold buildings £	Plant and equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2022	6,215,705	-	-	6,215,705
Business combinations (see note 12)	-	2,012,529	163,365	2,175,894
	<u>6,215,705</u>	<u>2,012,529</u>	<u>163,365</u>	<u>8,391,599</u>
At 31 December 2022	6,215,705	2,012,529	163,365	8,391,599
Depreciation and impairment				
At 1 January 2022	1,166,698	-	-	1,166,698
Depreciation charged in the year	104,953	-	-	104,953
	<u>1,271,651</u>	<u>-</u>	<u>-</u>	<u>1,271,651</u>
At 31 December 2022	1,271,651	-	-	1,271,651
Carrying amount				
At 31 December 2022	<u>4,944,054</u>	<u>2,012,529</u>	<u>163,365</u>	<u>7,119,948</u>
At 31 December 2021	<u>5,049,007</u>	<u>-</u>	<u>-</u>	<u>5,049,007</u>

11 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	12	-	703,091

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2022 & 31 December 2022	<u>703,091</u>
Impairment	
At 1 January 2022	-
Impairment losses	<u>703,091</u>
At 31 December 2022	<u>703,091</u>
Carrying amount	
At 31 December 2022	-
At 31 December 2021	<u>703,091</u>

At the year end, the fixed asset investments value has been impaired to £nil as the subsidiary companies are no longer trading entities and have no assets to support the carrying value of the investment. See note 13 for further information on the internal reorganisation of the group.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
Hydrobond Engineering Limited	1	Design and manufacture of subsea and harsh environment equipment	Ordinary shares	100.00
Hydro-Cable Systems Limited	1	Design and manufacture of subsea and harsh environment equipment	Ordinary shares	100.00

Registered office addresses (all UK unless otherwise indicated):

1 Hydro House Claymore Avenue, Aberdeen Energy Park, Bridge of Don, Aberdeen, AB23 8GW.

13 Acquisition

On 30 December 2022, the company acquired the Business, Assets and Liabilities of its subsidiaries Hydro-Cable Systems Limited and Hydrobond Engineering Limited as part of an internal reorganisation of the group of companies that the company and the subsidiaries form part. The consideration payable was the equivalent to the net book value of the Business, Assets and Assumed Liabilities at the completion date, see below. The consideration was satisfied by the creation of an inter-company loan by the subsidiaries to the company and by the company agreeing to indemnify the subsidiaries against certain liabilities.

The assets acquired and liabilities assumed were recognised at net book value to the company, as set out below:

	Hydrobond Engineering Limited £	Hydro-Cable Systems Limited £	Total £
Fixed assets	1,044,264	1,131,630	2,175,894
Inventories	2,304,202	666,569	2,970,771
Trade debtors	3,995,730	529,477	4,525,207
Other debtors	61,291	807	62,098
Bank	1,339,905	691,312	2,031,217
Trade creditors	(1,240,558)	(274,782)	(1,515,340)
Amounts owed to group undertakings	(1,710,559)	-	(1,710,559)
Amounts owed from group undertakings	-	1,560,559	1,560,559
Taxation and social security	(734,130)	(169,069)	(903,199)
Other creditors, accruals and deferred income	(1,689,556)	(164,169)	(1,853,725)
Corporation tax	76,377	(58,278)	18,099
Provisions	(46,000)	(4,000)	(50,000)
Deferred tax	(235,521)	(278,271)	(513,792)
	<u>3,165,445</u>	<u>3,631,785</u>	<u>6,797,230</u>

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

14 Stocks

	2022 £	2021 £
Raw materials and consumables	1,832,203	-
Work in progress	849,286	-
Finished goods and goods for resale	289,282	-
	<u>2,970,771</u>	<u>-</u>

15 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	4,525,207	-
Corporation tax recoverable	43,069	32,673
Amounts owed by group undertakings	15,087	35,700
Other debtors	109,851	183,974
Prepayments and accrued income	102,947	36,687
	<u>4,796,161</u>	<u>289,034</u>

16 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,524,035	97,358
Amounts owed to group undertakings	150,002	4,487,340
Taxation and social security	897,834	-
Accruals and deferred income	1,878,660	15,279
	<u>4,450,531</u>	<u>4,599,977</u>

17 Provisions for liabilities

	Notes	2022 £	2021 £
Provision for warranties		50,000	-
Deferred tax liabilities	18	644,839	168,657
		<u>694,839</u>	<u>168,657</u>

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

17 Provisions for liabilities (Continued)

Movements on provisions apart from deferred tax liabilities:

	Provision for warranties £
Acquired through group reorganisation	50,000

18 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated capital allowances	680,679	168,657
Short term timing differences	(35,840)	-
	<u>644,839</u>	<u>168,657</u>
		2022
Movements in the year:		£
Liability at 1 January 2022		168,657
Credit to profit and loss		(37,610)
Acquired through group reorganisation		513,792
		<u>644,839</u>
Liability at 31 December 2022		<u>644,839</u>

19 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	155,560	155,560	155,560	155,560

20 Capital redemption reserve

	2022 £	2021 £
At the beginning and end of the year	<u>33,333</u>	<u>33,333</u>

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

21 Profit and loss reserves

	2022 £	2021 £
At the beginning of the year	1,126,527	1,773,978
Profit for the year	15,129,655	2,382,232
Dividends declared and paid in the year	(4,652,053)	(3,029,683)
At the end of the year	<u>11,604,129</u>	<u>1,126,527</u>

22 Financial commitments, guarantees and contingent liabilities

The company is a member of the Hydro Group Limited group VAT registration and at 31 December 2022 the amount due to HM Revenue and Customs was £780,013 (2021 - £441,910).

23 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	10,637	-
Between one and five years	6,845	-
	<u>17,482</u>	<u>-</u>

24 Related party transactions

As at 31 December 2022 the company was due £109,699 (2021- £109,699) from a company under common control.

25 Ultimate controlling party

The company is fully-owned subsidiary of TPC UKCO Limited, a company incorporated in England. TPC UKCO Limited is the immediate parent company and is the smallest group for which consolidated accounts including Hydro Group Limited are prepared. The registered office address of TPC UKCO Limited is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT. TPC UKCO Limited is a fully owned subsidiary of TPC Engineering Holdings Inc, a company incorporated in the United States of America. The ultimate holding company of TPC Engineering Holdings Inc is TPCW Holdings LLC, a company based in Delaware in the United States of America.