

Company Registration No. SC132331 (Scotland)

HYDRO GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021



HYDRO GROUP LIMITED

COMPANY INFORMATION

Directors	P H Albert E M Blair J T Crane N M Patel M Gordon M M Pamboukis
Secretary	Oakwood Corporate Secretary Limited
Company number	SC132331
Registered office	Hydro House Claymore Avenue Aberdeen Energy Park Bridge of Don Aberdeen Scotland AB23 8GW
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 MARCH 2021

The directors present the strategic report for the year ended 31 March 2021.

Fair review of the business

The Group's key financial performance indicators are turnover, EBITDA, cash in hand and net assets position.

Group turnover has decreased from £15.9m to £14.5m which is attributable to reduced trading in a foreign subsidiary prior to its disposal and a significant reduction in turnover in one of the UK subsidiaries. The group's main trading subsidiary, Hydrobond Engineering Limited, has increased turnover despite the pandemic and continued to see a strong demand for their products across all its main markets – Oil & gas, Renewables, Defence and Oceanographic Monitoring Systems.

The Group EBITDA has increased by 51% to £6.1m. The movement is primarily attributable to a change in the mix of goods and services provided to key customers. Higher margins were achieved from an increase in service only work. Further notable movements from 2020 were the receipt of government support in the form of the Coronavirus Job Retention scheme (see note 7) and changes to wage costs (see note 5), management charges and some overheads.

The cash position of the Group has reduced during the year due to payment of dividends of £2.75m and the repayment of bank loans in full of £3.6m. The Group still has a strong net asset position, and the directors remain satisfied with the liquidity position of the Group.

Principal risks and uncertainties

The principal risks are the instability of supply, demand and consumption in the global oil market together with the ongoing Covid-19 pandemic. The Group has, however, continued to work throughout the pandemic, being classified as key suppliers to the oil and gas and defence industry, and continue to trade successfully. Combined with this 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

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M Gordon

Director

Date: 30/03/22
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HYDRO GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

Principal activities

The principal activity of the company is to act as a holding company and to provide management services to group companies. On 8 September 2020, the company re-registered as a private limited company.

The principal activity of the group continued to be that of the design and manufacture of subsea electrical and optical connectors, electrical pressure hull penetrators and associated subsea electrical cable terminators, 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.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £2,754,905. The directors do not recommend payment of a further dividend.

No preference dividends were paid. The directors do not recommend payment of a final 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	(Appointed 28 April 2021)
E M Blair	
Mr Jeffrey Todd	(Resigned 1 January 2021)
J T Crane	(Appointed 17 February 2021)
N M Patel	(Appointed 17 February 2021)
M Gordon	(Appointed 10 September 2021)
M M Pamboukis	(Appointed 10 September 2021)
V W March	(Appointed 17 February 2021 and resigned 31 March 2021)
D J Whyte	(Resigned 17 February 2021)

HYDRO GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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.

Future developments

Following the acquisition of the Hydro Group Limited on 17 February 2021 by TPC Wire & Cable, the Directors intend to implement an internal group reorganisation whereby the subsidiaries of the company (see note 15) will transfer their trade, assets and liabilities to the company and the subsidiaries will subsequently cease trading.

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

RSM UK Tax and Accounting Limited were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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.

HYDRO GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

On behalf of the board

M Gordon

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M Gordon
Director

Date: 30/03/22

HYDRO GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

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 group and company, and of the profit or loss of the group 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows 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 group's and of the parent company's affairs as at 31 March 2021 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.

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 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

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 group's or the parent 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 our 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 group and the parent company and their 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 page 5, 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.

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 group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- 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 most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management whether the group is in compliance with these laws and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls and recognition of revenue as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed in relation to management override of controls included but were not limited to testing manual journal entries and other adjustments, assessing whether the judgments made in making accounting estimates are indicative of management bias and evaluating the business rationale in relation to significant, unusual transactions. Audit procedures performed in relation to recognition of revenue included but were not limited to reviewing a sample of transactions throughout the period to assess whether they were correctly recorded, including a sample specifically around year end for cut-off.

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.

RSM UK Audit LLP

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

31 March 2022

HYDRO GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

		2021	2020
	Notes	£	as restated £
Turnover	4	14,520,191	15,896,680
Change in stock and work in progress		823,336	(171,761)
Other operating income		766,253	-
Raw materials and consumables		(3,983,645)	(4,719,772)
Staff costs	5	(4,941,378)	(5,067,147)
Depreciation	7	(803,618)	(701,105)
Other operating charges		(1,113,084)	(1,911,408)
Operating profit	7	5,268,055	3,325,487
Interest receivable and similar income	9	2,113	477
Interest payable and similar expenses	10	(119,382)	(146,553)
Other gains and losses	11	262,684	-
Profit before taxation		5,413,470	3,179,411
Tax on profit	12	(875,372)	(626,652)
Profit for the financial year	28	4,538,098	2,552,759
Other comprehensive income net of taxation			
Revaluation of tangible fixed assets		-	1,904,439
Currency translation differences		(34,693)	-
Other comprehensive income of associates		-	236,222
Tax relating to other comprehensive income		-	(361,843)
Total comprehensive income for the year		4,503,405	4,331,577

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

HYDRO GROUP LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2021**

		2021		2020 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	14	8,158,633		8,538,495	
Investments	15	-		25,656	
		<u>8,158,633</u>		<u>8,564,151</u>	
Current assets					
Stocks	17	3,621,060		2,797,724	
Debtors	18	3,614,894		3,478,613	
Cash at bank and in hand		1,319,580		2,988,368	
		<u>8,555,534</u>		<u>9,264,705</u>	
Creditors: amounts falling due within one year	19	<u>(5,017,441)</u>		<u>(4,648,198)</u>	
Net current assets		<u>3,538,093</u>		<u>4,616,507</u>	
Total assets less current liabilities		<u>11,696,726</u>		<u>13,180,658</u>	
Creditors: amounts falling due after more than one year	20	-		(3,325,834)	
Provisions for liabilities	22	<u>(729,150)</u>		<u>(635,748)</u>	
Net assets		<u>10,967,576</u>		<u>9,219,076</u>	
Capital and reserves					
Called up share capital	25	155,560		155,560	
Revaluation reserve	26	1,542,597		1,720,813	
Capital redemption reserve	27	33,333		33,333	
Profit and loss reserves	28	9,236,086		7,309,370	
Total equity		<u>10,967,576</u>		<u>9,219,076</u>	

30/03/22

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

M Gordon

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M Gordon
Director

HYDRO GROUP LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2021**

		2021		2020	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	14	5,127,721		5,232,673	
Investments	15	703,091		753,409	
		<u>5,830,812</u>		<u>5,986,082</u>	
Current assets					
Debtors	18	1,155,741		397,973	
Cash at bank and in hand		23,136		58,028	
		<u>1,178,877</u>		<u>456,001</u>	
Creditors: amounts falling due within one year	19	(4,910,904)		(1,283,068)	
Net current liabilities		<u>(3,732,027)</u>		<u>(827,067)</u>	
Total assets less current liabilities		<u>2,098,785</u>		<u>5,159,015</u>	
Creditors: amounts falling due after more than one year	20	-		(3,253,499)	
Provisions for liabilities	23	(135,914)		(134,551)	
Net assets		<u>1,962,871</u>		<u>1,770,965</u>	
Capital and reserves					
Called up share capital	25	155,560		155,560	
Capital redemption reserve	27	33,333		33,333	
Profit and loss reserves	28	1,773,978		1,582,072	
Total equity		<u>1,962,871</u>		<u>1,770,965</u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £2,946,811 (2020 - £342,233).

The financial statements were approved by the board of directors and authorised for issue on 30/03/22
and are signed on its behalf by:

M Gordon

M Gordon
Director

HYDRO GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
As restated for the period ended 31 March 2020:						
Balance at 1 April 2019		77,778	356,433	33,333	4,809,522	5,277,066
Prior year adjustment (see note 3)		-	-	-	(342,349)	(342,349)
As restated		77,778	356,433	33,333	4,467,173	4,934,717
Year ended 31 March 2020:						
Profit for the year		-	-	-	2,552,759	2,552,759
Other comprehensive income net of taxation:						
Revaluation of tangible fixed assets		-	1,904,439	-	-	1,904,439
Other comprehensive income of associates		-	-	-	236,222	236,222
Tax relating to other comprehensive income		-	(361,843)	-	-	(361,843)
Total comprehensive income for the year		-	1,542,596	-	2,788,981	4,331,577
Dividends	13	-	-	-	(125,000)	(125,000)
Transfers		-	(178,216)	-	178,216	-
Issue of shares		77,782	-	-	-	77,782
Balance at 31 March 2020		155,560	1,720,813	33,333	7,309,370	9,219,076
Year ended 31 March 2021:						
Profit for the year		-	-	-	4,538,098	4,538,098
Other comprehensive income net of taxation:						
Currency translation differences		-	-	-	(34,693)	(34,693)
Total comprehensive income for the year		-	-	-	4,503,405	4,503,405
Dividends	13	-	-	-	(2,754,905)	(2,754,905)
Transfers		-	(178,216)	-	178,216	-
Balance at 31 March 2021		155,560	1,542,597	33,333	9,236,086	10,967,576

HYDRO GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2019		77,778	33,333	1,364,839	1,475,950
Year ended 31 March 2020:					
Profit and total comprehensive income for the year		-	-	342,233	342,233
Dividends	13	-	-	(125,000)	(125,000)
Issue of shares		77,782	-	-	77,782
Balance at 31 March 2020		155,560	33,333	1,582,072	1,770,965
Year ended 31 March 2021:					
Profit and total comprehensive income for the year		-	-	2,946,811	2,946,811
Dividends	13	-	-	(2,754,905)	(2,754,905)
Balance at 31 March 2021		155,560	33,333	1,773,978	1,962,871

HYDRO GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

		2021		2020 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	29	6,732,328		2,895,851	
Interest paid		(119,382)		(146,553)	
Income taxes paid		(1,250,809)		(52,879)	
Net cash inflow from operating activities		<u>5,362,137</u>		<u>2,696,419</u>	
Investing activities					
Cash outflow on disposal of subsidiary		(113,617)		-	
Purchase of tangible fixed assets		(484,538)		(667,282)	
Proceeds on disposal of tangible fixed assets		15,227		44,903	
Proceeds on disposal of subsidiaries		-		210,566	
Proceeds on disposal of associates		25,656		-	
Interest received		2,113		477	
Net cash used in investing activities		<u>(555,159)</u>		<u>(411,336)</u>	
Financing activities					
Proceeds from issue of shares		-		77,782	
Proceeds of new bank loans		-		250,000	
Repayment of bank loans		(3,614,635)		(321,827)	
Payment of finance leases obligations		(96,195)		(22,029)	
Finance leases advanced		-		54,900	
Dividends paid to equity shareholders		(2,730,243)		(125,000)	
Net cash used in financing activities		<u>(6,441,073)</u>		<u>(86,174)</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(1,634,095)</u>		<u>2,198,909</u>	
Cash and cash equivalents at beginning of year		2,988,368		789,459	
Effect of foreign exchange rates		(34,693)		-	
Cash and cash equivalents at end of year		<u><u>1,319,580</u></u>		<u><u>2,988,368</u></u>	

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies

Company information

Hydro Group Limited ("the company") 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 group consists of Hydro Group Limited and all of its subsidiaries.

The company's and the group'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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include the revaluation of certain classes of tangible fixed assets.

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 company has taken advantage of the exemption from disclosing the following information in its company only accounts, as permitted by the reduced disclosure regime within FRS 102:-

- 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' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values;
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Hydro Group Limited. The consolidated financial statements of Hydro Group Limited are available from its registered office, Hydro House Claymore Avenue, Aberdeen Energy Park, Bridge of Don, Aberdeen, Scotland, AB23 8GW.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate those of Hydro Group Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2021.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Going concern

The group have reported an improving EBITDA for the year and at the balance sheet date the net current asset position is healthy. Post year end trading continues to be strong with sufficient liquidity to execute operations.

On 17 February 2021 the company was acquired by TPC Wire & Cable. Post year end, the Directors of the company intend to implement an internal group reorganisation whereby the subsidiaries of the group will transfer its trade, assets and liabilities to the company, subsequently cease trading and be liquidated. At the date of approval of these financial statements, it is the Directors' expectation that this reorganisation will be completed within 12 months of the balance sheet signing date. As part of the reorganisation, the subsidiaries' assets and liabilities will be transferred to the company at book value, therefore the Directors have concluded that no adjustments are required to be made to any of the balances in these financial statements.

The directors, making due and careful enquiry, have prepared forecasts and have a reasonable expectation that the group has adequate resources to continue in 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 goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

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	10-33% Straight-line
Fixtures and fittings	10-33% Straight-line
Motor vehicles	25% Straight-line
Moulds	20% 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.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Certain classes of tangible fixed asset whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of these classes of assets is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit or loss.

Fixed asset investments

In the separate accounts of the company, 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.

Impairment of fixed assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Stocks

Work in progress and manufactured stock is 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, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Financial instruments

The group 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 group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

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 group 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.

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 group after deducting all of its liabilities.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans 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.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Derecognition of financial liabilities

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

Equity instruments

Equity instruments issued by the group 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 group.

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.

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group 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.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

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 group 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 March 2021 there is no provision held for outstanding trade debtor balances.

In determining whether any provision for slow moving or obsolete stock is required management must consider and make judgements on the extent to which stock can be utilised by the group. The group 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 March 2021 there is a provision of £1,040,973 held for excess or obsolete stock.

The group revalue plant and equipment on a regular basis as disclosed in Note 14. The valuation of plant and equipment includes a significant element of estimation and judgement in determining the open market value of these assets. Management engage the services of a specialist third party to conduct these valuation exercises and review the carrying amount of the assets at each reporting date. The carrying amount of these assets at 31 March 2021 is included within Note 14.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

3 Prior period adjustment

Following a review of stock in the current financial year it was identified that subsidiaries of the group should have recognised stock provisions in several prior accounting periods for slow moving and obsolete stock. The directors consider that given the quantum of the adjustments that the prior period figures should be restated.

The cumulative correction to the 31 March 2020 profit and loss account and balance sheet is as follows:

Changes to the statement of financial position - group

	As previously reported £	Adjustment at 1 Apr 2019 £	Adjustment at 31 Mar 2020 £	As restated at 31 Mar 2020 £
Current assets				
Stocks	3,298,300	(371,953)	(128,623)	2,797,724
Creditors due within one year				
Corporation tax	(687,928)	29,604	24,438	(633,886)
Net assets	9,665,610	(342,349)	(104,185)	9,219,076
Capital and reserves				
Profit and loss	7,755,904	(342,349)	(104,184)	7,309,370

Changes to the income statement - group

	As previously reported £	Adjustment £	As restated £
Period ended 31 March 2020			
Change in stock and work in progress	(43,138)	(128,623)	(171,761)
Taxation	(651,090)	24,438	(626,652)
Loss after taxation	(2,656,944)	(104,185)	(2,552,759)

4 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by class of business		
Sale of goods	12,624,357	9,918,410
Sales of services	1,895,834	5,978,270
	14,520,191	15,896,680

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

4 Turnover and other revenue (Continued)

	2021 £	2020 £
Turnover analysed by geographical market		
United Kingdom	11,060,244	12,692,715
Europe	1,486,331	1,039,905
Rest of the world	1,973,616	2,164,060
	<u>14,520,191</u>	<u>15,896,680</u>

5 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Production and engineering	74	93	-	-
Administration	19	9	-	-
Sales and distribution	13	14	-	-
Total	<u>106</u>	<u>116</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	4,388,492	4,466,599	-	-
Social security costs	397,012	447,028	-	-
Pension costs	126,453	93,306	-	-
	<u>4,911,957</u>	<u>5,006,933</u>	<u>-</u>	<u>-</u>
Other costs	29,421	60,214	-	-
	<u>4,941,378</u>	<u>5,067,147</u>	<u>-</u>	<u>-</u>

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	288,911	305,420
Company pension contributions to defined contribution schemes	14,717	8,358
	<u>303,628</u>	<u>313,778</u>

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

6 Directors' remuneration (Continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	134,789	239,816

7 Operating profit

	2021 £	2020 as restated £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	15,932	9,142
Research and development costs	(3,554)	9,816
Government grants	(766,253)	-
Depreciation of owned tangible fixed assets	803,618	672,564
Depreciation of tangible fixed assets held under finance leases	-	28,541
Profit on disposal of tangible fixed assets	(2,942)	-
Stocks impairment losses recognised or reversed	540,397	128,623
Operating lease charges	-	58,395

The group has received government grants of £696,253 under the job retention scheme which came into force as a result of the global pandemic caused by the Coronavirus outbreak, as well as a £70,000 Scottish Government Enterprise grant.

8 Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	10,000	7,900
Audit of the financial statements of the company's subsidiaries	28,000	4,500
	38,000	12,400

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

9 Interest receivable and similar income

	2021	2020
	£	£
Interest income		
Interest on bank deposits	1,948	446
Other interest income	165	31
Total income	2,113	477

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	1,948	446
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10 Interest payable and similar expenses

	2021	2020
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	110,614	143,907
Interest on invoice finance arrangements	44	344
	110,658	144,251
Other finance costs:		
Interest on finance leases and hire purchase contracts	8,724	2,302
Total finance costs	119,382	146,553

11 Other gains and losses

	2021	2020
	£	£
Gain on disposal of fixed asset investments (see note 15)	262,684	-

12 Taxation

	2021	2020
	£	as restated £
Current tax		
UK corporation tax on profits for the current period	942,892	663,490
Adjustments in respect of prior periods	(84,638)	1,542
Total current tax	858,254	665,032

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

12 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences	(27,176)	(34,509)
Adjustment in respect of prior periods	44,294	(3,871)
Total deferred tax	17,118	(38,380)
Total tax charge	875,372	626,652

The total tax 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:

	2021 £	2020 as restated £
Profit before taxation	5,413,470	3,179,411
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,028,559	604,088
Tax effect of expenses that are not deductible in determining taxable profit	5,317	9,900
(Gains)/losses not taxable	(49,941)	23,260
Adjustments in respect of prior years	(40,344)	(2,329)
Research and development tax credit	-	(374)
Other permanent differences	16,550	-
Movement on unrealised profit in stock	-	(7,893)
Relief from related party	(45,511)	-
Foreign subsidiary profit	(39,258)	-
Taxation charge	875,372	626,652

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £	2020 £
Deferred tax arising on:		
Revaluation of property	-	361,843

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

13 Dividends

	2021 £	2020 £
Recognised as distributions to equity holders:		
Final paid	2,754,905	125,000

14 Tangible fixed assets

Group	Long leasehold buildings £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 April 2020	6,215,705	3,112,468	1,087,895	59,595	10,475,663
Additions	-	465,596	18,942	-	484,538
Disposals	-	(6,000)	(120,759)	(25,183)	(151,942)
At 31 March 2021	6,215,705	3,572,064	986,078	34,412	10,808,259
Depreciation and impairment					
At 1 April 2020	983,032	42,486	869,439	42,211	1,937,168
Depreciation charged in the year	104,952	617,488	76,079	5,099	803,618
Eliminated in respect of disposals	-	(6,000)	(72,262)	(12,898)	(91,160)
At 31 March 2021	1,087,984	653,974	873,256	34,412	2,649,626
Carrying amount					
At 31 March 2021	5,127,721	2,918,090	112,822	-	8,158,633
At 31 March 2020	5,232,673	3,069,982	218,456	17,384	8,538,495

Company

	Long leasehold buildings £
Cost or valuation	
At 1 April 2020 and 31 March 2021	6,215,705
Depreciation and impairment	
At 1 April 2020	983,032
Depreciation charged in the year	104,952
At 31 March 2021	1,087,984
Carrying amount	
At 31 March 2021	5,127,721
At 31 March 2020	5,232,673

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

14 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Plant and equipment	-	197,000	-	-

The plant and equipment class of fixed assets was valued on an open market value basis in the previous year by a party which is unconnected to the company. The directors have reviewed the carrying value of the plant and equipment class of fixed assets and have not identified any material changes to circumstances or to any valuation assumptions which would materially affect the value.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Cost	3,717,620	3,811,618	-	-
Accumulated depreciation	(3,298,799)	(3,149,191)	-	-
Carrying value	418,821	662,427	-	-

15 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	16	-	-	703,091	727,753
Investments in associates		-	25,656	-	25,656
		-	25,656	703,091	753,409

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

15 Fixed asset investments (Continued)

Movements in fixed asset investments Group	Shares in associated undertakings £
Cost or valuation	
At 1 April 2020	25,656
Disposals	(25,656)
At 31 March 2021	-
Carrying amount	
At 31 March 2021	-
At 31 March 2020	25,656

Movements in fixed asset investments Company	Shares in group undertakings and participating interests £
Cost or valuation	
At 1 April 2020	753,409
Disposals	(50,318)
At 31 March 2021	703,091
Carrying amount	
At 31 March 2021	703,091
At 31 March 2020	753,409

On 17th February 2021 the group disposed of the entire issued share capital of the wholly owned subsidiary Hydro Group Systems, Inc. by way of a dividend in specie to TPC UKCO Limited. The disposal consisted of 1,000 shares which had a cost of £24,662. At the date of disposal the company had net liabilities of £238,022 leaving a gain on disposal of £262,684.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

16 Subsidiaries

Details of the company's subsidiaries at 31 March 2021 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

17 Stocks

	Group 2021 £	2020 as restated £	Company 2021 £	2020 £
Raw materials and consumables	2,250,583	1,849,265	-	-
Work in progress	1,308,373	740,386	-	-
Finished goods and goods for resale	62,104	208,073	-	-
	<u>3,621,060</u>	<u>2,797,724</u>	<u>-</u>	<u>-</u>

During the year, an impairment loss on finished goods of £540,397 (2020 - £128,623) was recognised within cost of sales. No earlier stock write downs have been reversed during the current, or proceeding, period.

18 Debtors

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts falling due within one year:				
Trade debtors	2,054,878	2,769,877	-	-
Amounts owed by group undertakings	-	461,151	601,487	317,250
Other debtors	1,482,506	151,506	477,004	69,598
Prepayments and accrued income	77,510	96,079	77,250	11,125
	<u>3,614,894</u>	<u>3,478,613</u>	<u>1,155,741</u>	<u>397,973</u>

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

19 Creditors: amounts falling due within one year

		Group 2021	2020 as restated	Company 2021	2020
	Notes	£	£	£	£
Bank loans	21	-	361,136	-	361,136
Obligations under finance leases		-	23,860	-	-
Trade creditors		597,818	787,752	-	212
Amounts owed to group undertakings		500,000	-	4,487,340	273,549
Corporation tax payable		215,047	633,886	49,755	99,689
Other taxation and social security		372,366	666,630	-	538,472
Other creditors		2,565,507	2,059,247	-	-
Accruals and deferred income		766,703	115,687	373,809	10,010
		<u>5,017,441</u>	<u>4,648,198</u>	<u>4,910,904</u>	<u>1,283,068</u>

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

20 Creditors: amounts falling due after more than one year

		Group 2021	2020	Company 2021	2020
	Notes	£	£	£	£
Bank loans and overdrafts	21	-	3,253,499	-	3,253,499
Obligations under finance leases		-	72,335	-	-
		<u>-</u>	<u>3,325,834</u>	<u>-</u>	<u>3,253,499</u>

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

21 Borrowings

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Bank loans	-	3,614,635	-	3,614,635
Payable within one year	-	361,136	-	361,136
Payable after one year	-	3,253,499	-	3,253,499

During the year the loan balances were repaid in full and the registered charge on the company was satisfied on 18 February 2021.

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

22 Provisions for liabilities

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Warranty obligations		50,000	-	-	-
Deferred tax liabilities	23	679,150	635,748	135,914	134,551
		<u>729,150</u>	<u>635,748</u>	<u>135,914</u>	<u>134,551</u>

Movements on provisions apart from deferred tax liabilities:

	Warranty obligations £
Group	
Additional provisions in the year	<u>50,000</u>

23 Deferred taxation

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

	Liabilities 2021 £	Liabilities 2020 £
Group		
Accelerated capital allowances	386,056	335,079
Revaluations	293,094	326,954
Realised profit in stock	-	(26,285)
	<u>679,150</u>	<u>635,748</u>
	Liabilities 2021 £	Liabilities 2020 £
Company		
Accelerated capital allowances	<u>135,914</u>	<u>134,551</u>

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

23 Deferred taxation (Continued)

	Group 2021 £	Company 2021 £
Movements in the year:		
Liability at 1 April 2020	635,748	134,551
Charge to profit or loss	17,118	1,363
Other	26,284	-
Liability at 31 March 2021	<u>679,150</u>	<u>135,914</u>

The deferred tax liability set out above is not expected to reverse within 12 months as it relates to the revaluation surplus on tangible fixed assets held at valuation.

24 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>126,453</u>	<u>93,306</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

25 Share capital

	Group and Company			
	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>155,560</u>	<u>155,560</u>	<u>155,560</u>	<u>155,560</u>

26 Revaluation reserve

	Group 2021 £	2020 £	Company 2021 £	2020 £
At the beginning of the year	1,720,813	356,433	-	-
Revaluation surplus arising in the year	-	1,904,439	-	-
Reversal of deferred tax liability on revaluation	-	(361,843)	-	-
Transfer to retained earnings	<u>(178,216)</u>	<u>(178,216)</u>	<u>-</u>	<u>-</u>
At the end of the year	<u>1,542,597</u>	<u>1,720,813</u>	<u>-</u>	<u>-</u>

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

27 Capital redemption reserve

	Group 2021 £	2020 £	Company 2021 £	2020 £
At the beginning and end of the year	33,333	33,333	33,333	33,333

28 Profit and loss reserves

	Group 2021 £	2020 as restated £	Company 2021 £	2020 £
At the beginning of the year	7,413,555	4,809,522	1,582,072	1,364,839
Prior year adjustment	(104,185)	(342,349)	-	-
As restated	7,309,370	4,467,173	1,582,072	1,364,839
Profit for the year	4,538,098	2,552,759	2,946,811	342,233
Dividends	(2,754,905)	(125,000)	(2,754,905)	(125,000)
Transfer from revaluation reserve	178,216	178,216	-	-
Currency translation differences	(34,693)	-	-	-
Other comprehensive income of associates	-	236,222	-	-
At the end of the year	9,236,086	7,309,370	1,773,978	1,582,072

29 Cash generated from group operations

	2021 £	2020 £
Profit for the year after tax	4,538,098	2,552,759
Adjustments for:		
Taxation charged	875,372	626,652
Finance costs	119,382	146,553
Investment income	(2,113)	(477)
Gain on disposal of tangible fixed assets	(2,942)	-
Depreciation and impairment of tangible fixed assets	803,618	701,105
Gain on sale of investments	(262,684)	-
Increase in provisions	50,000	-
Movements in working capital:		
(Increase)/decrease in stocks	(1,160,812)	171,761
Decrease/(increase) in debtors	123,745	(932,470)
Increase/(decrease) in creditors	1,650,664	(370,032)
Cash generated from operations	6,732,328	2,895,851

HYDRO GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

30 Operating lease commitments

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

	Group 2021 £	2020 £	Company 2021 £	2020 £
Within one year	20,347	67,193	-	-
Between one and five years	23,226	100,004	-	-
	<u>43,573</u>	<u>167,197</u>	<u>-</u>	<u>-</u>

31 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Acquisition of tangible fixed assets	<u>85,117</u>	<u>390,490</u>	<u>-</u>	<u>-</u>

32 Related party transactions

Transactions with related parties

During the year the company made sales of £388,923 (2020 - £305,115) and purchased goods totalling £286,013 (2020 - £510,947) from a related party. At 31 March 2021 the group was due £106,253 from the related party.

During the year dividends of £125,000 (2020 - £125,000) were paid to D J Whyte, a director up to 17 February 2021, and to Turnstone Marine System Limited Retirement Benefits Scheme, a pension scheme in which D J Whyte has an interest.