Hydrasun Group Holdings Limited

Annual report and consolidated financial statements

Registered number 08368958

31 March 2015

Contents

Officers and professional advisers

Directors

R S Drummond
R McAlpine
G J Doherty
C Hagenbucher (resigned 17 February 2015)
M Bandak (resigned 1 June 2014)
B Dickie
R Abdeljaber
J Tanner (appointed 1 June 2014)
J Pfeifer (appointed 22 May 2015)

Secretary

G J Doherty

Registered office

48 Grosvenor Street
London
W1K 3HW

Bankers

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

Solicitors

Burness Paull & Williamsons
Union Plaza
Union Wynd
Aberdeen
AB10 1SL

Auditor

KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB

Strategic report

Principal activities
Hydrasun is a leading provider of a wide range of fluid transfer, power and control solutions to the Energy industry. As part of a group restructuring, Hydrasun Group Holdings Ltd, was formed to become the parent company of Hydrasun group, previously headed by Hydrasun Holdings Ltd. The business began trading activities on the 14th March 2013, therefore the comparative numbers for FY14 cover a 12½ month trading period.

The principal services provided include the design, engineering, manufacture, assembly and testing of hydraulic equipment, control panels, fluid connectors, multi-line hydraulic and electro-hydraulic control umbilicals for the Oil and Gas industry, along with a range of associated inspection and integrity management services. Outwith Oil & Gas, other important market sectors are Petrochemical, Marine and Defence.

A key aspect of our overall strategy is the continuous development of our specialist products, services and solutions and our ability to combine these to offer integrated solutions for our customers. As part of this we are also continuously developing our associated capabilities and capacity in other key areas of the business including Engineering, Supply Chain management (both operational and strategic), and "in house" manufacturing. This is in response to, and in service of the key needs and requirements of our customers, with particular emphasis on speed and security of supply, quality, reliability, standards of service and overall value for money.

Results and transfers to reserves
The consolidated financial statements of Hydrasun Group Holdings Limited and its subsidiary undertakings (together "the Group") show turnover for the year ended 31 March 2015 of £110.4m. Earnings before interest, tax, depreciation and amortisation were £16.9m..

Review of business and future developments
The year to 31 March 2015 was a reasonably successful one for the Group, particularly in view of prevailing market conditions and the impact of the significant reduction in the Oil Price. The demand for the Group's products, services and solutions remained held up reasonably well within all areas, including certain key segments such as integrity management services, specialist hydraulic solutions and applications (particularly for subsea projects and well intervention activities) and integrated instrumentation products and solutions. Overall sales were 9% lower on the previous year, reflecting the impact of the reduced oil price on the company's core markets. The Group has a substantial order book and "pipeline" of future opportunities.

Further internationalisation of the business and the development of specialist products, services and bespoke integrated solutions which are complementary to its established core product offering remain key parts of the Group's strategy. In this regard the Group continued to achieve further progress, development and market penetration in a number of key target international Oil & Gas regions including the Caspian region, Middle East, Norway, West Africa and, Gulf of Mexico with international sales now representing 32% of overall turnover. In addition the company had developed, tested and is patenting, a new light-weight, neutrally buoyant and load bearing flexible hose to be used for well intervention and emergency response.

The Group also achieved further progress in the development and enhancement of its specialist value added services, with particular emphasis on inspection and integrity management services, the design and manufacture of control umbilicals and associated subsea connectors and termination units, and the provision of engineering and technical services in the development of bespoke applications and integrated hydraulic solutions, particularly for the subsea sector. In recognition of the further growth potential within these areas, the Group is investing further in its engineering and technological capabilities in order to further accelerate the development of other products, solutions and services currently under development, particularly for subsea and deepwater applications. Our Aviemore based, Specialist Manufacturing Division has benefitted from five new state of the art CNC machines, laser scanning and hardness testing equipment which has significantly increased our manufacturing capabilities and capacities.

UK North Sea Operations continue to be the largest single operating region and the Group further consolidated its strong market position as the result of the award of a number of significant orders for major projects, and additional long term contracts and frame agreements from strategic "Blue Chip" customers including BP, FMC and GE Oil and Gas. Elsewhere in the UK, our regional branches in the central belt of Scotland and North East England also performed reasonably well, particularly in view of the prevailing overall economic climate and reduction in project related activity.

Strategic report *(continued)*

Business review *(continued)*
The directors consider overall financial metrics, HSEQ, customer satisfaction, supplier performance and a range of HR measures to be key performance indicators in their ability to monitor the Group's strategic and operational effectiveness. The Group operates to the highest standards within all areas of HSEQ. This includes operating to the ISO 9001:2000 Quality Management Standard, the OHSAS 18001 safety management standard, and the ISO 14001:2004 Environmental Management Standard, and the Group is fully accredited to all three of these. In addition to this, the Group closely monitors customer perception and feedback regarding our overall performance.

This is done in accordance with the "First Point Assessment" (FPAL) system, which is widely recognised and operated within the Oil and Gas industry.

The Group has also continued with the further development and strengthening of the management team and the wider organisation in general. Further investment has been made in training at both management and team leader levels, and also in the ongoing development and enhancement of the skills and competencies of our workforce. A comprehensive training, learning and competency development plan is in place as part of our overall strategy. Our Training and Competency Management System has accreditation to the OPITO (Offshore Petroleum Industry Training Organisation) standard and our accreditation to the IIP (Investors in People) was successfully maintained. The effort and commitment of our employees has been a vital factor in the delivery of our performance and will remain so in the continuing development and growth of the business. The board once again wishes to place on record its recognition and appreciation of the efforts and contributions made by all our employees in this regard.

The directors are confident that the further progress and development achieved by the Group in the period to 31 March 2015 will continue in the following year.

Principal risks and uncertainties

Financial instruments
The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group monitors this position but does not ordinarily use foreign exchange forward contracts to hedge these exposures. Interest bearing short term assets and liabilities tend to be held at variable rates.

Credit risk
The Group's principal financial assets are bank balances, cash and trade debtors. The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances from doubtful receivables. The Group has no significant concentration of credit risk, with exposure spread over a number of customers. The credit risk on liquid funds is limited because the counterparties are banks with internationally recognised credit ratings.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long term and short term financing.

Signed on behalf of the board

R S Drummond
Director

48 Grosvenor Street
London
W1K 3HW

1 July 2015

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 March 2015.

Employee communications and involvement
The Group recognises the importance of employee communications and involvement and places considerable emphasis on this. The Group is a member of Investors in People and operates in accordance with its standards and requirements. This includes a process of regular team briefings and quarterly communications briefings/presentations conducted by the directors. This is supplemented with a regular employee newsletter. In addition to this there are well established and effective arrangements at all branch locations for communication and consultation with employees. Continuous professional and personal development is actively promoted through the Group's communications processes and Performance Management System to enable employees to reach their full potential.

Political donations
During the current year the company made no political donations nor incurred any political expenditure.

Disabled employee policy
The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities; continues the employment of, and arranges appropriate training for, employees of the Group who have become disabled persons during the period when they were employed by the company; and provides for the training, career development and promotion of disabled persons employed by the Group.

Environment
The Group is conscious of its environmental responsibilities and endeavours to minimise any impact on the environment through safe disposal of waste, recycling and reducing energy consumption, and is accredited with ISO 14001:2004 Environmental Management Standard. A number of KPI's and objectives and associated continuous improvement initiatives have been implemented accordingly.

Proposed dividend
The directors do not recommend the payment of a dividend.

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

R S Drummond
R McAlpine
G J Doherty
C Hagenbucher (resigned 17 February 2015)
M Bandak (resigned 1 June 2014)
B Dickie
R Abdeljaber
J Tanner (appointed 1 June 2014)
J Pfeifer (appointed 22 May 2015)

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

Directors' report *(continued)*

Auditor

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

By order of the Board

R S Drummond
Director

48 Grosvenor Street
London
W1K 3HW

1 July 2015

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 parent company and of the profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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

KPMG

37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

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

We have audited the financial statements of Hydrasun Group Holdings Limited for the year ended 31 March 2015 set out on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

2 July 2015

Consolidated profit and loss account
for the year ended 31 March 2015

	Note	2015 £000 Total	54 week ending 31 March 2014 £000 Total
Turnover	2	**110,414**	126,007
Cost of sales		**(76,174)**	(87,548)
Gross profit		**34,240**	38,459
Administrative expenses		**(25,283)**	(26,310)
Operating profit		**8,957**	12,149
Interest payable and similar charges	6	**(17,317)**	(17,113)
Dividends receivable		**-**	100
Loss on ordinary activities before taxation	3-5	**(8,360)**	(4,864)
Tax on loss on ordinary activities	7	**(1,825)**	(2,089)
Loss on ordinary activities after taxation		**(10,185)**	(6,953)
Minority interest	23	**(155)**	(149)
Loss for the financial year	18	**(10,340)**	(7,102)

Movements in reserves are set out in note 18.

Consolidated statement of total recognised gains and losses
for the year ended 31 March 2015

	2015 £000
Loss for the financial year	**(10,340)**
Exchange differences on the retranslation of net investments	**(40)**
Total recognised losses relating to the financial year	**(10,380)**

Consolidated balance sheet

at 31 March 2015

	Note	2015		2014	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*8*		**120,621**		127,260
Tangible assets	*9*		**5,821**		4,828
			126,442		132,088
Current assets					
Stocks	*11*	**22,021**		21,112	
Debtors	*12*	**21,160**		24,852	
Cash at bank and in hand		**4,847**		952	
		48,028		46,916	
Creditors: amounts falling due within one year	*13*	**(17,043)**		(21,767)	
Net current assets			**30,985**		25,149
Total assets less current liabilities			**157,427**		157,237
Creditors: amounts falling due after more than one year	*14*		**(174,540)**		(164,225)
Provisions for liabilities	*15*		**(114)**		(14)
Net liabilities			**(17,227)**		(7,002)
Capital and reserves					
Called up share capital	*17*		**3**		3
Share premium account	*18*		**343**		343
Profit and loss account	*18*		**(17,905)**		(7,525)
Shareholders' deficit	*19*		**(17,559)**		(7,179)
Minority interest	*23*		**332**		177
Equity			**(17,227)**		(7,002)

These financial statements were approved by the board of directors on 1 July 2015 and were signed on its behalf by:

R S Drummond
Director

Company balance sheet
at 31 March 2015

	Note	2015		2014	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*10*		**240**		240
Current assets					
Debtors	*12*	**11,100**		11,100	
Net current assets			**11,100**		11,100
Total assets less current liabilities			**11,340**		11,340
Creditors: amounts falling due after one year	*14*		**(13,596)**		(12,256)
Net liabilities			**(2,256)**		(916)
Capital and reserves					
Called up share capital	*17*		**3**		3
Share premium account	*18*		**343**		343
Profit and loss account	*18*		**(2,602)**		(1,262)
Shareholders' deficit	*19*		**(2,256)**		(916)

These financial statements were approved by the board of directors on 1 July 2015 and were signed on its behalf by:

R S Drummond
Director

Consolidated cash flow statement
for the year ended 31 March 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Net cash inflow from operating activities	*20*		**17,707**		24,080
Returns on investments and servicing of finance					
Interest paid		**(3,709)**		(3,765)	
Interest element of finance lease payments		**(14)**			
Dividends paid to minority interest		**-**		(177)	
Dividend received		**-**		100	
Net cash outflow from returns on investments and servicing of finance			**(3,723)**		(3,842)
Taxation			**(2,164)**		(2,966)
Capital expenditure					
Purchase of tangible fixed assets		**(1,618)**		(1,896)	
			(1,618)		(1,896)
Acquisitions and disposals					
Payments in respect of acquisitions		**(431)**		(167,301)	
Overdrafts acquired with subsidiaries		**-**		(12)	
			(431)		(167,313)
Net cash outflow before financing					(151,937)
Financing					
Bank loan proceeds net of deal costs		**-**		45,923	
Loan notes issue		**-**		106,632	
Issue of share capital		**-**		346	
Repayment of bank loan		**(5,720)**		-	
Capital element of finance lease rental payments		**(156)**		-	
Net cash (outflow)/inflow from financing			**(5,876)**		152,901
Increase in cash in the year	*21*		**3,895**		964

Notes

(forming part of the financial statements)

1 Accounting policies

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

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

Going concern
The directors remain confident of the group's ability to generate continuing profits and cash flow from the geographic markets that it serves. Having considered the forecast results, the directors expect the group to be profitable and cash generative, to remain fully compliant with banking covenants in the foreseeable future and is well placed to manage its business risk successfully and therefore continue to adopt the going concern basis in preparation of the financial statements.

Basis of consolidation
The consolidated financial statements deal with the results and the state of affairs of the company and its subsidiaries. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition.

Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Goodwill
Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The estimated useful life of the group's goodwill is generally between 10 and 20 years.

Fixed assets and depreciation
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Freehold property	25 years
Leasehold improvements	the period of the lease
Plant and machinery	4 to 7 years or period of lease if shorter
Motor vehicles	4 years or period of lease if shorter

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Concessions, patents, licences and trademarks purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of between 5 and 10 years.

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

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

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

Reversals of impairment
An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss is recognised in the current period.

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

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

The assets and liabilities and profit and loss account of overseas subsidiary undertakings are translated at the closing exchange rates. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Investments
In the company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment.

Leases
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Finance lease interest is allocated to accounting periods so as to produce a constant periodic rate of charge on the remaining balance of the obligations. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Post retirement benefits
The group operates a defined contribution pension scheme for eligible employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks
Stocks and work in progress are stated at the lower of cost and net realisable value. Costs include materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Raw materials, consumables and finished goods are valued at weighted average purchase price.

Taxation
The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Derivative instruments
The group uses derivative financial instruments to reduce the exposure to foreign exchange risk and interest rate movements. The group does not hold or use derivative financial instruments for speculative purposes.

Derivative financial instruments are not fair valued at the balance sheet date. Unhedged gains and losses are recognised in the profit and loss account on settlement of the instruments.

Classification of financial instruments issued by the group
Following the adoption of FRS 25, financial instruments issued by the group are treated as equity (ie forming part of shareholders' funds) only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company (or the group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Cash and liquid resources
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Debt
Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the year.

Turnover
Turnover represents the value of goods and services provided which fall within the group's ordinary activities after deduction of trade discounts and sales taxes. Turnover is recognised as goods and services are provided to customers.

Notes *(continued)*

1 Accounting policies *(continued)*

Long term contracts
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

2 Analysis of turnover and profit before taxation

The directors are of the opinion that there is only one category of business and consequently no segmental analysis by activity has been provided.

Turnover by geographical destination and origin is analysed below:

	Turnover by origin 2015 £000	**Turnover by destination 2015 £000**	Turnover by origin 54 weeks ending 31 March 2014 £000	Turnover by destination 54 weeks ending 31 March 2014 £000
Geographical market:				
United Kingdom	**94,311**	**74,705**	107,814	82,658
Netherlands	**8,413**	**8,552**	8,571	8,407
Rest of world	**7,690**	**27,157**	9,622	34,942
	110,414	**110,414**	126,007	126,007

3 Notes to the profit and loss account

Loss on ordinary activities before taxation is stated after charging/(crediting):	**2015 £000**	54 weeks ending 31 March 2014 £000
Depreciation of tangible fixed assets:		
Owned	**1,098**	1,129
Leased	**49**	-
Amortisation of intangibles	**6,708**	6,698
Hire of plant and machinery	**415**	412
Hire of other assets – land and buildings	**1,605**	1,707
Exchange (gains) losses	**44**	153
Auditor's remuneration		
Audit of these financial statements.	**5**	5
Amounts receivable by auditors in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**39**	43
Other services relating to taxation	**23**	21

Notes *(continued)*

4 Directors' emoluments

	2015 **£000**	54 weeks ending 31 March 2014 £000
Directors' emoluments	**587**	739
Company's contributions to money purchase pension schemes	**75**	78
	662	817

The emoluments of the highest paid director were £226,000 *(2014: £226,000)* and company pension contributions of £32,000 *(2014: £32,000)* were made to a money purchase scheme on their behalf.

Retirement benefits are accruing to three directors *(2014: three*) under money purchase schemes.

5 Staff numbers and costs

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

	Number of employees	**Group**
	2015	2014
Administration	**131**	138
Sales	**113**	117
Maintenance and warehouse	**389**	388
	633	643

The aggregate payroll costs of these persons were as follows:

	2015 **£000**	**Group** 54 weeks ending 31 March 2014 £000
Wages and salaries	**22,190**	23,307
Social security costs	**2,465**	2,658
Other pension costs (see note 25)	**885**	783
	25,540	26,748

Notes *(continued)*

6 Interest payable

	2015 £000	54 weeks ending 31 March 2014 £000
Loan notes	**12,999**	12,242
On bank loans and overdrafts	**3,132**	3,589
Amortisation of debt issue costs	**962**	1,106
Other interest	**210**	176
Finance charges payable in respect of finance leases	**14**	-
	17,317	17,113

7 Taxation

Analysis of charge in year

	2015 £000	2015 £000	54 weeks ending 31 March 2014 £000	54 weeks ending 31 March 2014 £000
UK corporation tax				
Current tax on income for the year	**1,565**		1,935	
Adjustments in respect of prior years	**(252)**		(66)	
Double taxation relief	**(31)**		(41)	
		1,282		1,828
Foreign tax				
Current tax on income for the year	**397**		261	
Adjustments in respect of prior years	**46**		-	
		443		261
Total current tax		**1,725**		2,089
Deferred tax				
Origination/reversal of timing differences		**100**		-
Tax on profit on ordinary activities		**1,825**		2,089

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK 23%. The differences are explained below:

	2015 £000	2014 £000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**(8,360)**	(4,864)
Current tax at 21% *(2014: 23%)*	**(1,756)**	(1,119)
Effects of:		
Expenses not deductible for tax purposes	**1,978**	1,525
Goodwill amortisation not deductible	**1,407**	1,541
Difference between capital allowances and depreciation	**(95)**	(48)
Tax on overseas subsidiaries at higher rate	**397**	262
Adjustment in respect of prior years	**(206)**	(66)
Total current tax charge (see above)	**1,725**	2,089

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the future tax charge
Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the group's future current tax charge accordingly. The deferred tax liability at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

8 Intangible fixed assets

Group	**Intellectual property £000**	**Goodwill £000**	**Total £000**
Cost			
At beginning and end of year	117	133,958	134,075
Amortisation			
At beginning of year	48	6,698	6,746
Charge for the year	10	6,698	6,708
At end of year	58	13,396	13,454
Net book value			
At 31 March 2015	**59**	**120,562**	**120,621**
At 31 March 2014	69	127,260	127,260

Notes *(continued)*

9 Tangible fixed assets

Group	Freehold property £000	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	172	612	11,528	98	12,410
Additions	-	4	2,183	-	2,187
Disposals	-	-	(144)	(2)	(146)
At end of year	172	616	13,567	96	14,451
Depreciation					
At beginning of year	112	91	7,281	98	7,582
Charge for the year	6	68	1,073	-	1,147
On disposals	-	-	(97)	(2)	(2)
At end of year	118	159	8,257	96	8,630
Net book value					
At 31 March 2015	**54**	**457**	**5,310**	**-**	**5,821**
At 31 March 2014	60	521	4,247	-	4,828

The net book value of fixed assets includes and amount of £578,000 *(£2014: £nil)* in respect of assets held under finance leases. The depreciation charge for the year on these assets was £49,000 *(2014: £nil).*

The company holds no tangible fixed assets.

Notes *(continued)*

10 Fixed asset investments

	£000
Company	
Cost and net book value	
At beginning and end of year	**240**

Shares in subsidiaries and joint venture undertakings:

Company	Country of incorporation and operation	Activity	Proportion of ordinary shares held
Hydrasun Group Finance Limited	England	Holding company	100%
Hydrasun Group Acquisitions Limited*	England	Holding company	100%
Hydrasun Group Investments Limited*	England	Holding company	100%
Hydrasun Group Limited*			
Hydrasun Limited*	Scotland	Hydraulic equipment manufacture, supply and associated services	100%
Hydrasun Rapid Solutions Limited*	Scotland	Hydraulic equipment manufacture, supply and associated services	60%
Hydrasun Instrumentation BV*	Netherlands	Hydraulic equipment manufacture supply and associated services	100%
Hydrasun AMC Limited*	Scotland	Research and development of innovative subsea products	100%
Hydrasun Kazakhstan LLP*	Kazakhstan	Hydraulic equipment manufacture supply and associated services	100%
Hydrasun Remaq Mangueiras e Conexões Ltda*	Brazil	Hydraulic equipment manufacture supply and associated services	100%
Hydrasun FZE*	United Arab Emirates	Hydraulic equipment manufacture supply and associated services	100%
Hydrasun Rapid Solutions LLC*	Azerbaijan	Hydraulic equipment manufacture supply and associated services	50%

* Held by subsidiary

Notes *(continued)*

11 Stocks and work in progress

	Group 2015 £000	Group 2014 £000
Raw materials and finished goods	503	1,341
Work in progress	21,518	19,771
	22,021	21,112

The company holds no stock or work in progress.

12 Debtors

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Trade debtors	19,442	22,659	-	-
Amounts owed by group undertakings	-	-	11,100	11,100
Prepayments and accrued income	1,346	1,758	-	-
Other debtors	372	435	-	-
	21,160	24,852	11,100	11,100

13 Creditors: amounts falling due within one year

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Term loan (note 16)	-	1,678	-	-
Obligations under finance leases	210	-	-	-
Trade creditors	11,376	14,290		
Corporation tax	357	803	-	-
Taxation and social security	1,426	1,213	-	-
Other creditors and accruals	3,674	3,783	-	-
	17,043	21,767	-	-

14 Creditors: amounts falling due after more than one year

	Group 2015 £000	Group 2014 £000	Company 2015 £00	Company 2014 £00
Term loans (note 16)	42,271	45,351	-	-
Loan notes	106,632	106,632	10,994	10,993
Accrued interest on loan notes	25,241	12,242	2,602	1,263
Obligations under finance leases	253	-	-	-
Accruals and deferred income	143	-	-	-
	174,540	164,225	13,596	12,256

Notes *(continued)*

15 Provisions for liabilities

	Group
Deferred taxation	**£000**
At beginning of year	14
Charge to the profit and loss account for the year	100
At end of year	**114**

The elements of deferred taxation recognised in the group and company are as follows:

	Group	
	2015	2014
	£	£
Difference between accumulated depreciation and capital allowances	**125**	25
Other timing differences	**(11)**	(11)
	114	14

Notes *(continued)*

16 Loans

Debt can be analysed as follows:

Term loan	**2015 £000**	2014 £000
Amounts falling due:		
Within one year	**-**	2,640
In the second to fifth years	**47,080**	17,160
Over five years	**-**	33,000
	47,080	52,800
Less: unamortised debt issue costs	**(4,809)**	(5,771)
	42,271	47,029

The original term loan facility 'A' amounted to £22,000,000 and original loan facility 'B' amounted to £33,000,000. Loan facility 'A' was repayable in half yearly instalments on 31 March and 30 September each year. Loan facility 'B' is repayable in full on 14 March 2020. FY16 scheduled loan repayments of £3.1m were voluntarily prepaid during the year to 31 March 2015.

The loan facilities bears interest at a rate of 2% (facility A) and 2.5% (facility B) above LIBOR (adjustable downward after achieving certain leverage ratios) and are secured by certain of the group's property, plant and machinery and a floating charge over the assets of the group.

Debt issue costs incurred, initially amounting to £6,732,000 are being amortised over seven years to 14 March 2020, being the loan facility 'B' final repayment date.

Loan notes	**2015 £000**	2014 £000
Amounts falling due:		
After more than five years	**106,632**	106,632
Rolled up loan note interest	**25,241**	12,242
	131,873	118,874

17 Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
264,946 A1 Ordinary shares of £0.01 each	**3**	3
2,300 A2 Ordinary shares of £0.01 each	**-**	-
16,033 B1 Ordinary shares of £0.01 each	**-**	-
10,692 B2 Ordinary shares of £0.01 each	**-**	-
52,820 C Ordinary shares of £0.01 each	**-**	-
100 Deferred shares of £0.01 each	**-**	-
	3	3

Notes *(continued)*

18 Reserves

	Share premium account £000	Profit and loss account £000
Group		
	343	(7,525)
Loss for the financial period	-	(10,340)
Exchange differences on retranslation of net investments	-	(40)
At end of period	**343**	**(17,905)**

	Share premium account £000	Profit and loss account £000
Company		
Premium on share issued	343	(1,262)
Loss for the financial period	-	(1,340)
At end of period	**343**	**(2,602)**

19 Reconciliation of movements in shareholders' (deficit)/funds

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Loss for the financial period	(10,340)	(7,102)	(1,340)	(1,262)
Exchange differences on the retranslation of net investments	(40)	(423)	-	-
New share capital subscribed	-	346	-	346
Net increase in shareholders' deficit	(10,380)	(7,179)		(916)
Opening shareholders' (deficit)/funds	(7,179)	-	(916)	-
Closing shareholders' deficit	**(17,559)**	(7,179)	**(2,256)**	(916)

Notes *(continued)*

20 Net cash inflow from operating activities

	2015 £000	2014 £000
Operating profit	**8,957**	12,149
Depreciation - tangible assets	**1,147**	1,129
Amortisation of goodwill and intangibles	**6,708**	6,698
(Increase) in stocks	**(909)**	(216)
Decrease in debtors	**3,692**	15,939
(Decrease) in creditors	**(1,888)**	(11,619)
Net cash inflow from operating activities	**17,707**	24,080

21 Analysis of net debt

	At 31 March 2014 £000	Cash flow £000	Non cash movements £000	At 31 March 2015 £000
Cash in hand, at bank	952	3,895	-	4,847
Debt due within one year	(1,678)	1,678	-	-
Debt due after more than one year	(45,351)	4,042	(962)	(42,271)
Loan notes	(118,874)	-	(12,999)	(131,873)
Finance leases	-	-	(463)	(463)
	(165,903)	5,720	(14,424)	(174,607)
Total	**(164,951)**	**9,615**	**(14,424)**	**(169,760)**

22 Reconciliation of net cash flow to movement in debt

	2015 £000	2014 £000
Overdraft acquired by subsidiaries	**-**	(12)
Increase in cash in the period	**3,895**	964
Cash outflow from movement in debt financing	**3,676**	(159,432)
Change in net debt resulting from cash flows	**7,571**	(158,480)
Debt issue costs	**1,082**	5,771
Interest rolled up into loan notes capital balance	**(12,999)**	(12,242)
New finance leases	**(463)**	-
Movement in net debt in period	**(4,809)**	(164,951)
Net debt at beginning of period	**(164,951)**	-
Net debt at end of period	**(169,760)**	(164,951)

Notes *(continued)*

23 Minority interests

	Group £000
At beginning of the year	177
Retained profit for the year	155
At end of year	**332**

24 Contingent liabilities

At 31 March 2015, the group had granted guarantees and performance bonds to third parties totalling £275,000 *(2014: £136,000)*.

The company has provided cross guarantees, as secured by certain property, plant and machinery and a floating charge over the assets of the group to its bankers in respect of the borrowings of all UK incorporated subsidiaries. The contingent liability to the company at 31 March 2015 amounted to £47,080,000 *(2014: £52,080,000)*.

25 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £851,000 *(2014: £783,000)*. Contributions amounting to £101,000 *(2014: £94,000)* were payable to the scheme and are included in creditors.

26 Commitments

Capital commitments at the end of the year for which no provision has been made are as follows:

	2015 £000	2014 £000
Group		
Contracted	**244**	323

Annual commitments under non-cancellable operating leases are as follows:

			2015	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group				
Operating leases which expire:				
Within one year	**441**	**13**	401	202
In the second to fifth years inclusive	**164**	**298**	226	117
Over five years	**1,000**	**-**	1,000	-
	1,605	**311**	1,627	319

Notes *(continued)*

27 Related party transactions

The company is exempt under the requirements of Financial Reporting Standard 8 to include details of transactions with wholly owned subsidiaries. At 31 March 2015, amounts due from related parties was £15,000 *(2014: £33,000)* representing amounts payable to Rapid Solutions Limited, the 40% shareholder in Hydrasun Rapid Solutions Limited. During the year the group entered into transactions with Rapid Solutions Limited amounting to sales of £37,000 *(2014: £33,000)* and purchases of £284,000 *(2014: £160,000)*.

Loan notes issued to shareholders on 14 March 2013 were £106,632,000 with accrued interest on these notes of £25,241,000 at the 31 March 2015.

28 Controlling party

Funds managed by Investcorp Bank BSC are the company's majority shareholder as at the date of signing these accounts.