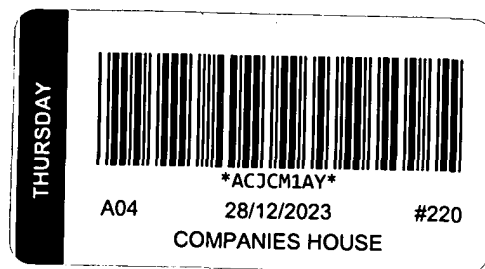


Hydrasun Limited

**Annual report and consolidated
financial statements**

Registered number SC059688

31 March 2023



Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	9
Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements	11
Independent auditor's report to the members of Hydrasun Limited	12
Consolidated profit and loss account	16
Consolidated statement of other comprehensive income	17
Consolidated balance sheet	18
Company balance sheet	19
Consolidated statement of changes in equity	20
Company statement of changes in equity	21
Consolidated cash flow statement	22
Notes	23

Officers and professional advisers

Directors

R S Drummond
G J Doherty
S Gardiner
A Graham
S Harris
C Milne
C J Sangster
N J Thompson

Secretary

G J Doherty

Registered office

Gateway Business Park
Moss Road
Aberdeen
AB12 3GQ

Banker

Royal Bank of Scotland
40 Albyn Road
Aberdeen
AB1 1YN

Solicitor

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

Auditor

Anderson Anderson & Brown Audit LLP
Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU

Strategic report

Principal activities

Hydrasun is a leading provider of a wide range of fluid transfer, power and control solutions to the Energy Industry.

The principal services provided include the design, engineering, manufacture, assembly, installation, testing and commissioning of hydraulic and fluid transfer, power and control equipment, control panels, fluid connectors, multi-line hydraulic and electro-hydraulic control umbilicals for the Energy industry, along with a range of associated engineering, installation, inspection, integrity and project management services. Other important market sectors are General Industrial, Chemical, Marine and Alternative and Renewable Energies, with particular emphasis on Hydrogen for both city scale and industrial scale decarbonisation projects.

In this regard the Group considers its ongoing positioning for The Energy Transition and in particular the development and growth of its business in the rapidly emerging Hydrogen Sector as a key strategic priority.

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 both within our established core markets and also within the Hydrogen Sector. 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), product development, "in house" manufacturing and associated project management services. 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, resilience, standards of service and overall value for money.

Financial results

The consolidated financial statements of Hydrasun Limited and its subsidiary undertakings (together "the Group") show turnover for the year ended 31 March 2023 of £102m, 34% higher than the prior year (2022: £77m).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') were £12.3m, 59% higher than the prior year (2022: £7.7m). Operating profit after exceptional costs for the year was £10.7m (2022: £1.1m). A reconciliation of EBITDA to operating profit is set out in note 3 to the financial statements.

Net asset position of the Group was £35m, and the cash position was £4.6m.

Business review

The Group's overall financial performance was satisfactory with sales revenues and EBITDA growing significantly. This is considered as a notable achievement, particularly in view of the prevailing circumstances and challenges, including the continuation of the impact of COVID during the first half of the financial year and the impact of significant supply chain pressures during the second half. Similarly, the overall operational performance of the Group was at a consistently high level. In particular, our safety, delivery and overall customer service standards and performance remained high and our management discipline, effectiveness and overall performance on managing working capital and cash flow was strong. The demand for the Group's products, services and solutions also held up well in a number of key areas including our core product offering, specialist instrumentation services, umbilicals and associated specialist subsea connectors. Outwith the Energy market, trading performed well in the broader industrial markets as supported by the Group's Glasgow, Teesside, Dutch and German operations.

The Group also achieved further progress in the development and enhancement of its specialist value added services, with particular emphasis on integrity assurance and reliability services, specialist instrumentation services, the design and manufacture of specialist connectors for a number of operationally critical applications and the provision of engineering and technical services in the development of bespoke products and integrated hydraulic solutions in key applications including well intervention, subsea emergency response and decommissioning. In recognition of the further growth potential within these areas, the Group continues to invest in its engineering and technological capabilities in order to further accelerate the development of other products, solutions and services currently under development.

Strategic report *(continued)*

Business review *(continued)*

In addition to this, the Group also continues to make good progress in positioning itself for further penetration and expansion into new market segments which are focused on the Energy Transition, again with particular emphasis on the rapidly emerging Hydrogen Sector, where the group has already completed over 30 hydrogen projects and looking ahead the group has an increasing pipeline of new hydrogen project opportunities.

The directors consider overall financial metrics, HSEQ, delivery performance, customer satisfaction, supplier performance and a range of other important operational 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 9001:2015 Quality Management Standard, the ISO 45001:2018 safety management standard, and the ISO 14001:2015 Environmental Management Standard, and the Group is fully accredited to all three of these.

The Group has also continued with the further development and strengthening of the management team and the wider organisation in general, with particular emphasis on strategic business development and on our Engineering and Technology and Project Management capabilities in the context of the Energy Transition, again with particular emphasis on Hydrogen Production, Storage and Refuelling Fuel Systems and Applications. Our Training and Competency Management System maintains its accreditation to the OPITO (Offshore Petroleum Industry Training Organisation) standard. 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.

Strategic report *(continued)*

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

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

- **Investors and lenders**

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

- **Employees**

Engagement and work culture	The Group holds employee team briefings and other organisational forums to communicate performance, policy and initiatives. This provides an opportunity for staff engagement and to create a culture that fosters open honest and direct communication.
Training & Development	<p>Continuous professional and personal development is actively promoted through the Group's communications processes and Performance Management System to enable employees to reach their full potential.</p> <p>OPITO accredited Training and Competency Management System</p> <p>Formal on-the-job training program that provides employees the opportunity to demonstrate their competency in current roles and operational tasks while helping to prepare them for future promotions.</p>

- **Customers**

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

Strategic report *(continued)*

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

- **Suppliers**

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

- **Other stakeholders including local communities and CSR**

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

Strategic report *(continued)*

Energy use and Greenhouse gas emissions

Hydrasun greenhouse gas emissions arise from its production, manufacturing and office facilities used in providing products and services to its customers. UK energy use includes purchased electricity, gas and fuel for company transport.

The Companies Act 2006 requires Hydrasun to report on the following greenhouse gases:

Gas:	Abbreviation	Emitted by Hydrasun
Carbon Dioxide	CO ₂	Yes
Methane	CH ₄	No
Nitros Oxide	N ₂ O	No
Hydrofluorocarbons	HFC's	No
Perfluorocarbons	PFC's	No
Sulphur Hexafluoride	SF ₆	No

Hydrasun only emits Carbon Dioxide and this is considered in this report. Hydrasun's greenhouse gas emissions are reported in metric tons (Mt) carbon dioxide equivalents ("CO₂e"). Calculations are performed using the emission factors and global warming potential of CO₂, in accordance with the current guidance from the UK Department for Environment, Food and Rural affairs, UK Department for Business, Energy and Industrial Strategy and the WRI / WBCSD Greenhouse Gas protocol.

Hydrasun Limited (as the only reportable entity in the Group) has developed intensity ratios that is the most relevant to the company and will provide the most useful information to readers on a comparative yearly basis: Tonnes of CO₂e per total £m sales revenue. This can be adjusted over time to take account of the effect of inflation and price changes.

- **Energy Efficiency action taken**

Information about energy efficiency action taken in the company's financial year:

- Ongoing compliance to ISO14001:2015
- ESOS2 compliance – ESOS 3 compliance in progress
- 90% of all waste produced is recycled with a Target zero waste to landfill KPI
- Zero environmental incidents reported in FY23 (and FY22)
- Year on year reduction in energy consumption, despite additional properties being taken on during the year, with the intensity ratio reducing by 27%
 - Continued lighting change-out campaign to low energy LED fittings
 - Installation of lighting sensors to reduce energy consumption
 - Energy saving back to basics campaign within operations
 - Energy consumption monitoring by area / machine initiated
 - Entered into green contracts for gas and electricity for certain sites, with more being placed in FY23
 - Removal of plastic end caps by using heat shrink recyclable caps
 - Reduction in single use plastics and change out from plastic to paper packaging tape
 - Reduction in plastic packaging and change out from plastic bubble wrap to shredded cardboard from waste cardboard

Strategic report (continued)

Energy use and Greenhouse gas emissions (continued)

Assessment parameters

Base Year:	1 April 2022 – 31 March 2023
Consolidation approach	Operational Control
Boundary Summary	All branches in the UK were included.
Assessment methodology	<p>Actual Gas and Electricity consumption data and meter readings are gathered regularly throughout the year so no estimated data is used in these calculations. The data is stored on energy management software. The same data set is used for ESOS compliance, invoice validation and in-house energy monitoring and reporting.</p> <p>Mileage records for company vehicles and fuel spend was included as recorded in the company's financial system.</p> <p>The reporting followed the guidance in the document <i>Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance</i>.</p> <p>The conversion factors used to calculate the emissions are those published in <i>UK Government GHG Conversion Factors for Company Reporting Standard Set Version 1.0</i> for the year 2022.</p>

The following table details the emissions by category.

Greenhouse Gas Emissions	Unit	Current Reporting Year 2022-2023	Prior Reporting Year
Energy consumption used to calculate emissions – electricity	kWh	1,551,882	1,669,972
Energy consumption used to calculate emissions – gas	kWh	315,521	812,302
Energy consumption used to calculate emissions – transport	miles	206,360	157,564
Emissions from electricity	tCO ₂ e	295	341
Emissions from gas	tCO ₂ e	58	97
Emissions from transport	tCO ₂ e	263	214
Total gross tCO ₂ e based on above	tCO ₂ e	634	652
Intensity Ratio	tCO ₂ e/ £m Turnover	6.2	8.5

Strategic report (continued)

Principal risks and uncertainties

In addition to the risks and inherent uncertainties set out above in respect of market conditions, the Group also manages the following risks:

Financial instruments

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

Market risk

The Group's activities expose it 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.

Going concern

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

Signed on behalf of the board



R S Drummond
Director

Gateway Business Park
Moss Road
Aberdeen, AB12 3GQ

2 August 2023

Directors' report

The directors present their Directors' report and audited financial statements for the year ended 31 March 2023.

Financial instruments

The Group sells to most of its clients on customary credit terms and is, as a result, exposed to the usual credit risk and cash flow risk associated with this form of trading. It manages this risk through its credit control procedures. The existence of these trade credit facilities does not expose the group to price risk or liquidity risk.

Employee communications and involvement

The Group recognises the importance of employee communications and involvement and places considerable emphasis on this and conducts regular team briefings and quarterly communications. 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.

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 Group; and provides for the training, career development and promotion of disabled persons employed by the Group.

Engagement with Employees, Suppliers, Customers and Others

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

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 14001:2015 Environmental Management Standard. A number of KPI's and objectives and associated continuous improvement initiatives have been implemented accordingly.

Dividends

The company did not pay any dividends in the year (2022: £75.7m to its parent company as part of an exercise to optimise the group structure and to then liquidate redundant holdings companies)) and no final dividend is proposed (2022: £nil).

Directors

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

R S Drummond
G J Doherty
S Gardiner
A Graham
S Harris
C Milne
C J Sangster
N J Thompson

Directors' report *(continued)*

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.

Auditor

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

By order of the Board



R S Drummond
Director

Gateway Business Park
Moss Road
Aberdeen
AB12 3GQ

2 August 2023

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 group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Hydrasun Limited

Opinion

We have audited the financial statements of Hydrasun Limited ("the parent company") and its subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the Consolidated profit and loss account, the Consolidated statement of other comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Company balance sheet, the Company statement of changes in equity, the Consolidated cash flow statement and related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Independent auditor's report to the members of Hydrasun Limited (*continued*)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group strategic report and the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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.

We have nothing to report in these respects.

Directors' Responsibilities

As explained more fully in the Directors' Responsibilities Statement on page 11, 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 they 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 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Hydrasun Limited *(continued)*

Auditors' 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 Auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered that would directly impact the financial statements were the Companies Act 2006 and Taxation legislation.

The company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- Management override of controls to manipulate the company's key performance indicators to meet targets
- Compliance with relevant laws and regulations which directly impact the financial statements and those that the company needs to comply with for the purpose of trading
- Management judgement applied in calculating provisions
- Timing and completeness of revenue recognition

Our audit procedures to respond to these risks included:

- Testing of journal entries and other adjustments for appropriateness
- Testing a sample of revenue transactions around the year-end to ensure appropriate timing of recognition
- Evaluating the business rationale of significant transactions outside the normal course of business
- Reviewing judgements made by management in their calculation of accounting estimates for potential management bias
- Enquiries of management about litigation and claims and inspection of relevant correspondence
- Reviewing legal and professional fees to identify indications of actual or potential litigation, claims and any non-compliance with laws and regulations
- Analytical procedures to identify any unusual or unexpected trends or relationship;

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission, or misrepresentation.

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

Independent auditor's report to the members of Hydrasun Limited *(continued)*

Use of our report

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



Christopher Masson (Senior Statutory Auditor)

for and on behalf of

Anderson Anderson & Brown Audit LLP

Statutory Auditor

Kingshill View

Prime Four Business Park

Kingswells

Aberdeen

AB15 8PU

Date: 2 August 2023

Consolidated profit and loss account
for the year ended 31 March 2023

	<i>Note</i>	2023 £000	2022 £000
Turnover	2	102,462	76,632
Cost of sales		(73,797)	(56,118)
Coronavirus Job Retention Scheme grant		-	189
Gross profit		<u>28,665</u>	<u>20,703</u>
Administrative expenses before exceptional costs		(17,565)	(14,123)
Exceptional costs	3	(436)	(5,444)
Operating profit		<u>10,664</u>	<u>1,136</u>
Total interest payable and similar expenses	6	(30)	(39)
Profit before taxation	3-5	<u>10,634</u>	<u>1,097</u>
Tax on profit	7	(2,006)	(177)
Profit after taxation		<u>8,628</u>	<u>920</u>
<i>Profit for the financial year attributable to:</i>			
Shareholders of the parent company		8,580	823
Non-controlling interests		48	97
Total profit for the financial year		<u>8,628</u>	<u>920</u>

The notes on pages 23 to 43 form part of the financial statements.

Consolidated statement of other comprehensive income
for the year ended 31 March 2023

	<i>Notes</i>	2023 £000	2022 £000
Profit for the financial year		8,628	920
Other comprehensive (expense)/income			
Exchange differences on the retranslation of net investments	<i>15</i>	-	-
Total comprehensive income for the year		8,628	920
<i>Total comprehensive income/(expense) attributable to:</i>			
Shareholders of the parent company		8,580	823
Non-controlling interests		48	97
		8,628	920


The notes on pages 23 to 43 form part of the financial statements.

Consolidated balance sheet
at 31 March 2023

	Note	2023	2022
		£000	£000
Fixed assets			
Goodwill	8	-	141
Other intangibles	8	110	91
Tangible assets	9	5,235	4,076
		<u>5,345</u>	<u>4,308</u>
Current assets			
Stocks	11	22,803	18,090
Debtors	12	25,648	21,129
Cash at bank and in hand		4,560	2,874
		<u>53,011</u>	<u>42,093</u>
Creditors: amounts falling due within one year	13	(22,835)	(19,762)
		<u>30,176</u>	<u>22,331</u>
Net current assets		<u>30,176</u>	<u>22,331</u>
Total assets less current liabilities		<u>35,521</u>	<u>26,639</u>
Creditors: amounts falling due after more than one year		-	-
Provision for liabilities and charges:			
Deferred tax	14	(254)	-
		<u>35,267</u>	<u>26,639</u>
Net assets		<u>35,267</u>	<u>26,639</u>
Capital and reserves			
Called up share capital	15	120	120
Capital redemption reserve		130	130
Profit and loss account		34,060	25,480
		<u>34,310</u>	<u>25,730</u>
Total capital and reserves		<u>34,310</u>	<u>25,730</u>
Equity attributable to the parent's shareholders		<u>34,310</u>	<u>25,730</u>
Non-controlling interests		<u>957</u>	<u>909</u>
Total equity		<u>35,267</u>	<u>26,639</u>

The notes on pages 23 to 43 form part of the financial statements.

These financial statements were approved by the board of directors on 2 August 2023 and were signed on its behalf by:


R S Drummond
Director

Company balance sheet
at 31 March 2023

	<i>Note</i>	2023		2022	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		110		91
Tangible assets	9		4,683		3,696
Investments	10		538		538
			<u>5,331</u>		<u>4,325</u>
Current assets					
Stocks	11	18,003		14,203	
Debtors	12	25,937		19,742	
Cash at bank and in hand		3,227		1,887	
		<u>47,167</u>		<u>35,832</u>	
Creditors: amounts falling due within one year	13	<u>(21,167)</u>		<u>(17,252)</u>	
Net current assets			26,000		18,580
Total assets less current liabilities			<u>31,331</u>		<u>22,905</u>
Creditors: amounts falling due after more than one year			-		-
Provision for liabilities and charges:					
Deferred tax	14		(254)		-
Net assets			<u>31,077</u>		<u>22,905</u>
Capital and reserves					
Called up share capital	15		120		120
Capital redemption reserve			130		130
Profit and loss account			30,827		22,655
Total capital and reserves			<u>31,077</u>		<u>22,905</u>

The notes on pages 23 to 43 form part of these financial statements.

These financial statements were approved by the board of directors on 2 August 2023 and were signed on its behalf by:



R.S Drummond
Director

Consolidated statement of changes in equity

	Called up share capital £000	Capital redemption reserve £000	Profit & loss account £000	Total share- holder's equity £000	Non- controlling interests £000	Total equity £000
Balance at 1 April 2021	120	130	100,379	100,629	812	101,441
Total comprehensive income for the year						
Profit for the year	-	-	823	823	97	920
Total comprehensive income for the year	-	-	823	823	97	920
Dividends Paid			(75,722)	(75,722)	-	(75,722)
Balance at 31 March 2022	120	130	25,480	25,730	909	26,639

	Called up share capital £000	Capital redemption reserve £000	Profit & loss account £000	Total share- holder's equity £000	Non- controlling interests £000	Total equity £000
Balance at 1 April 2022	120	130	25,480	25,730	909	26,639
Total comprehensive income for the year						
Profit for the year	-	-	8,580	8,580	48	8,628
Total comprehensive income for the year	-	-	8,580	8,580	48	8,628
Balance at 31 March 2023	120	130	34,060	34,310	957	35,267

The notes on pages 23 to 43 form part of the financial statements.

Company statement of changes in equity

	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2021	120	130	97,730	97,980
Total comprehensive income for the year				
Profit for the year	-	-	647	647
Total comprehensive income for the year	-	-	647	647
Dividends Paid	-	-	(75,722)	(75,722)
Balance at 31 March 2022	120	130	22,655	22,905
	Called up share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2022	120	130	22,655	22,905
Total comprehensive income for the year				
Profit for the year	-	-	8,172	8,172
Total comprehensive income for the year	-	-	8,172	8,172
Balance at 31 March 2023	120	130	30,827	31,077

The notes on pages 23 to 43 form part of the financial statements.

Consolidated cash flow statement

for the year ended 31 March 2023

	<i>Note</i>	2023 £000	2022 £000
Cash flows from operating activities			
Profit for the year		8,628	920
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		1,088	1,142
Interest payable and similar expenses		30	39
Taxation		2,006	177
		<hr/>	<hr/>
(Increase) in trade and other debtors		11,752	2,278
(Increase) in stocks		(171)	(6,306)
Increase in trade and other creditors		(4,713)	(311)
Tax paid		2,342	6,835
		(123)	(542)
		<hr/>	<hr/>
Net cash from operating activities		9,087	1,954
Cash flows from investing activities			
Acquisition of tangible and intangible fixed assets	8	(2,125)	(664)
		<hr/>	<hr/>
Net cash used in investing activities		(2,125)	(664)
Cash flows from financing activities			
Interest paid		(30)	(39)
Dividends paid to group undertakings		-	(75,722)
Loans (paid)/repaid from higher group undertakings		(5,246)	69,952
		<hr/>	<hr/>
Net cash used in financing activities		(5,276)	(5,809)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		1,686	(4,519)
Cash and cash equivalents at 1 April		2,874	7,393
		<hr/>	<hr/>
Cash and cash equivalents at 31 March 2023	19	4,560	2,874
		<hr/>	<hr/>

The notes on pages 23 to 43 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

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

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The directors, in the application of these accounting policies, have made certain judgments and estimates that may have significant effect on the financial statements.

Key estimates are in the assessment of potential impairment of non-current assets, which requires the use of discounted cash flow calculations and the calculation of market participant discount rates. Other key assessments relate to the identification and assessment of impairment of current assets such as stock (lower of cost and net realisable value) and trade debtors (recoverable amount).

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern

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

The consolidated operating profit before exceptional items for the year to 31 March 2023 of £10.7 million (2022: £6.6 million) includes non-cash items of depreciation and amortisation of £1.1 million (2022: £1.1 million). The group headed by Hydrasun Limited has net assets of £35.3 million (2022: £26.6 million)

As at 31 March 2023, Hydrasun Limited was a wholly owned subsidiary of the HGEN2 Energy Venture Ltd group and had issued financial guarantees as set out in note 16 in respect of its borrowings. The group headed by HGEN2 Energy Ventures Limited is financed by equity and term loan facilities of £19.2m due for repayment by 2027.

As Hydrasun Limited is the main trading company of the group headed by HGEN2 Energy Ventures Ltd, the directors have assessed going concern by reference to financial information and forecasts of Hydrasun Limited and its subsidiaries, as well as considering the financing of the ultimate parent. They have prepared base case projected cash flow information for the twelve months from the date of approval of these financial statements. In the first three months of the new financial year, the group has traded ahead of this budget. On the basis of this cash flow information the directors consider that the group, and Hydrasun Limited will continue to operate within the liquidity available under its borrowing facilities and will comply with agreed quarterly financial covenants under the bank facility.

Financial covenants principally comprise quarterly tests on a rolling twelve-month basis for EBITDA tested against net financial indebtedness and EBITDA tested against interest. Covenant compliance is dependent on the value and timing of revenues from customers between quarterly periods and the ability to control costs, if required. The directors have produced a reasonably possible, severe but plausible downside sensitivity in which the base case projected revenues are further reduced partly offset by controllable cost savings which are considered to be achievable if required in the forecast period. Under this downside sensitivity, the group continues to have sufficient liquidity and financial covenants are met.

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

Notes (continued)

1 Accounting policies (continued)

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2023. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A special purpose entity (SPE) is consolidated if the Group concludes that it controls the SPE.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries and jointly controlled entities are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

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

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes (continued)

1 Accounting policies (continued)

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Freehold property 25 years
- Leasehold property the period of the lease
- Plant and machinery 4 to 10 years or period of lease if shorter

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.8 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or Group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Other intangible assets

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows

- Concessions, patents, licences, and trademarks 5-10 years

The basis for choosing these useful lives is generally their respective unexpired period.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be up to 10 years. The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.9 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.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the materials, production or labour and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1 Accounting policies (continued)

1.11 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

For 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.

1.12 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. 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 contributions payable to the scheme in respect of the accounting period.

1.13 Dividends on shares presented with shareholder 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.

Notes (continued)

1 Accounting policies (continued)

1.14 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 respectively delivered or provided to customers. Accounting for long term contracts is set out in note 1.9.

1.15 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable and similar expenses include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Notes (continued)

1 Accounting policies (continued)

1.16 Taxation (continued)

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.17 Government Grants (Job Retention Scheme)

Government grants are recognised in the profit and loss and are shown separately.

The scheme consists of cash payments made by the government – administered through HMRC – to businesses meeting the criteria for the UK's Coronavirus Job Retention Scheme.

The arrangement allows claims to be made to cover 80% of salary, up to £2,500 per month, of certain people who have been placed on furlough. The cash is not refundable unless claimed unjustifiably and therefore this represents a grant rather than a loan from the government.

1.18 Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year is £8,172,000 (2022: £647,000).

Notes (continued)

2 Turnover

	2023 £000	2022 £000
Sale of goods	84,099	68,370
Rendering of service	18,363	8,262
	102,462	76,632
	102,462	76,632

Turnover by geographical destination and origin is analysed below:

	Turnover by origin		Turnover by destination	
	2023 £000	2022 £000	2023 £000	2022 £000
<i>Geographical market:</i>				
United Kingdom	85,747	62,946	54,661	37,839
Netherlands	9,913	6,516	9,625	6,481
Germany	3,119	2,661	5,542	5,683
Rest of world	3,683	4,509	32,634	26,629
	102,462	76,632	102,462	76,632
	102,462	76,632	102,462	76,632

3 Notes to the profit and loss account

	2023 £000	2022 £000
<i>Profit before taxation is stated after charging/(crediting):</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	924	979
Amortisation and impairment of goodwill and intangible assets	164	163
Hire of plant and machinery – rentals payable under operating lease	403	347
Hire of other assets – operating leases	2,040	1,569
	3,531	3,058
<i>Auditor's remuneration</i>		
Audit of these financial statements	53	55
Amounts receivable by auditors in respect of:		
Audit of financial statements of other group entities pursuant to legislation	18	27
Other services relating to taxation	-	24
All other services	-	-
	17	56
	17	56

Notes *(continued)*

3 Notes to the profit and loss account *(continued)*

	2023	2022
	£000	£000
<i>Calculation of EBITDA</i>		
Operating profit	10,664	1,136
Exceptional and one-off costs	436	5,444
Depreciation Owned	924	979
Amortisation	164	163
Exchange (gain) / loss	87	11
	12,275	7,733

Exceptional costs relate to the costs incurred in exiting legacy property leases (2022: relating to the sale of the Hydrasun group in July 2021 and simplifying the group structure by winding-up dormant companies).

Government grants for Coronavirus Job Retention Scheme	2023	2022
	£000	£000
Credited to Cost of Sales	-	189
Credited to Overheads	-	-
	-	189

4 Directors' remuneration

	2023	2021
	£000	£000
Directors' emoluments	1,329	1,158
Company's contributions to money purchase pension schemes	137	138
	1,466	1,296

The emoluments of the highest paid director was £378,000 (2022: £283,000) and company pension contributions of £nil (2022: £nil) were made to a money purchase scheme on their behalf.

Retirement benefits are accruing to seven (2022: eight) directors 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	
	2023	2022
Maintenance and warehouse	252	233
Sales	97	96
Administration	91	82
	440	411

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2023 £000	Group 2022 £000
Wages and salaries	19,697	15,195
Social security costs	2,009	1,665
Other pension costs (see note 17)	765	681
	<u>22,471</u>	<u>17,541</u>

6 Interest payable and similar expenses

	2023 £000	2022 £000
On bank loans and overdrafts	-	-
Other interest costs	30	39
	<u>30</u>	<u>39</u>

7 Taxation

Analysis of charge in year

	£000	2023 £000	2022 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the year	1,343		100	
Adjustments in respect of prior years	(100)		(117)	
Double taxation relief	(585)		-	
		<u>658</u>		(17)
<i>Foreign tax</i>				
Current tax on income for the year	1,006		238	
Adjustments in respect of prior years	-		(44)	
		<u>1,006</u>		194
Total current tax		<u>1,664</u>		<u>177</u>
<i>Deferred tax (see note 14)</i>				
Origination/reversal of timing differences	342		-	
Total deferred tax		<u>342</u>		
Tax on profit		<u>2,006</u>		<u>177</u>

The total tax charge has been recognised in the profit and loss account in the current and prior year.

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current year

The tax charge for the year is lower (2022: lower) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £000	2022 £000
<i>Total tax reconciliation</i>		
Profit for the year	8,628	920
Total tax charge	<u>2,006</u>	<u>177</u>
Profit excluding tax	<u>10,634</u>	<u>1,097</u>
Tax using the UK corporation tax rate at 19% (2020: 19%)	2,020	208
<i>Effects of:</i>		
Fixed asset differences	(33)	-
Expenses not deductible for tax purposes	205	155
Group relief surrendered for nil consideration by Group undertakings	(450)	(110)
Tax on overseas entities and with-holding taxes	299	58
Goodwill amortisation not deductible	27	27
Remeasurement of deferred tax for changes in tax rates	38	-
Adjustment in respect of prior year	<u>(100)</u>	<u>(161)</u>
Total tax charge (see above)	<u><u>2,006</u></u>	<u><u>177</u></u>

Factors affecting the future tax charge

An increase in the UK tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021. This will have a consequential effect on the group's future tax charge. As this rate has been enacted the deferred tax liability has been recognised at the 25% tax rate.

Notes *(continued)*

8 Intangible fixed assets

<i>Group</i>	Intellectual property £'000	Goodwill £'000	Total £'000
<i>Cost</i>			
At beginning of year	184	422	606
Additions	42	-	42
	<hr/>	<hr/>	<hr/>
At end of year	226	422	648
	<hr/>	<hr/>	<hr/>
<i>Amortisation and impairment</i>			
At beginning of year	93	281	374
Charge for the year	23	141	164
	<hr/>	<hr/>	<hr/>
At end of year	116	422	538
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2023	<u>110</u>	<u>-</u>	<u>110</u>
At 31 March 2022	<u>91</u>	<u>141</u>	<u>232</u>

<i>Company</i>	Intellectual property £000
<i>Cost</i>	
At the beginning of the year	184
Additions	42
	<hr/>
At the end of the of year	226
	<hr/>
<i>Amortisation</i>	
At the beginning of the year	93
Charge for the year	23
	<hr/>
At end of the year	116
	<hr/>
<i>Net book value</i>	
At 31 March 2023	<u>110</u>
At 31 March 2022	<u>91</u>

The amortisation charge is recognised in the administrative expenses in the profit and loss account for the current and prior year.

Notes (continued)

9 Tangible fixed assets

<i>Group</i>	Freehold Property £000	Leasehold improvements £000	Plant and machinery £000	Total £000
<i>Cost</i>				
At beginning of year	415	771	14,243	15,429
Additions	3	522	1,558	2,083
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	418	1,293	15,801	17,512
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	409	424	10,520	11,353
Charge for the year	2	57	865	924
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	411	481	11,385	12,277
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2023	7	812	4,416	5,235
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2022	6	347	3,723	4,076
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Company</i>	Freehold Property £000	Leasehold improvements £000	Plant and machinery £000	Total £000
<i>Cost</i>				
At beginning of year	415	771	12,994	14,180
Additions	3	522	1,254	1,779
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	418	1,293	14,248	15,959
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	409	424	9,651	10,484
Charge for the year	2	57	733	792
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	411	481	10,384	11,276
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2023	7	812	3,864	4,683
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2022	6	347	3,343	3,696
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

10 Fixed asset investments

<i>Company</i>	Shares in subsidiary undertakings £000
<i>Cost</i>	
At beginning of the year	12,019
At end of the year	12,019
<i>Impairment</i>	
At beginning of year	11,481
At end of the year	11,481
At end of year	538
At beginning of year	538

The company's subsidiary undertakings at the year-end are shown on the following page. They are involved in the manufacture and supply of hydraulic equipment and associated services. All shareholdings are of Ordinary shares.

Subsidiaries	Country	Registered office	Proportion of shares held in current and prior year
Hydrasun BV	The Netherlands	Nikkelstraat 17a, 2984 AM Ridderkerk	100%
Hydrasun GmbH	Germany	Ewald-Renz-Str.1 D-76669 Bad Schönborn Bad Schönborn, Postfach 77	100%
Hydrasun Kazakhstan LLP	Republic of Kazakhstan	Sector #34, Promzona #3, Aktai 130000	100%
Hydrasun Rapid Solutions LLC	Azerbaijan	Unit 4, Kilo 15 Salyan Highway Shikhov, Baku	50%
Hydrasun Remaq Indústria e Comércio Ltda	Brazil	Avenida Rio Branco, nº43, 20º andarés, Centro - Rio de Janeiro, RJ CEP 20090-003	100%

Notes *(continued)*

11 Stocks and work in progress

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Finished goods and goods for resale	20,768	17,175	15,975	13,306
Work in progress	2,035	915	2,028	897
	<u>22,803</u>	<u>18,090</u>	<u>18,003</u>	<u>14,203</u>

Charges in finished goods and work in progress recognised as cost of sales in the year amounted to £52,625,000 (2022: £42,372,000) (Company £42,950,000 (2022: £34,397,000)).

The write down of stocks to net realisable value amounted to £533,000 (2022: £1,559,000) (Company £428,000, (2022: £1,513,000)) included within cost of sales.

12 Debtors

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Trade debtors	17,902	16,658	15,635	13,092
Amounts owed by higher Group undertakings	4,708	-	4,708	-
Amounts owed by fellow subsidiaries	-	-	2,876	2,555
Corporation tax	-	272	-	306
Other debtors	186	281	99	250
Deferred tax	-	88	-	88
Prepayments and accrued income	2,852	3,830	2,619	3,451
	<u>25,648</u>	<u>21,129</u>	<u>25,937</u>	<u>19,742</u>

13 Creditors: amounts falling due within one year

	Group		Company	
	2023 £000	2021 £000	2023 £000	2022 £000
Trade creditors	15,096	12,893	14,158	11,264
Amounts owed to Group undertakings	1,021	1,559	1,021	1,559
Amounts owed to fellow subsidiaries	-	-	20	9
Corporation tax	1,270	-	1,098	-
Taxation and social security	479	941	429	744
Other creditors and accruals	4,969	4,369	4,441	3,676
	<u>22,835</u>	<u>19,762</u>	<u>21,167</u>	<u>17,252</u>

Notes (continued)

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group and Company	Assets		Liabilities	
	2023 £000	2022 £000	2023 £000	2022 £000
Tax losses	-	88	-	-
Tax assets / (liabilities)	-	88	(254)	-
Net tax assets	-	88	(254)	-
Deferred tax liability				
	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
At 1 April	88	88	88	88
Recognised in profit and loss for the year	(342)	-	(342)	-
At 31 March	(254)	88	(254)	88
	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Origination / reversal of timing differences	(254)	88	(254)	88
Net tax (liabilities)/assets	(254)	88	(254)	88

Notes (continued)

15 Capital and reserves

	2023	2022
	£000	£000
<i>Allotted, called up and fully paid</i>		
120,000 Ordinary shares of £1 each	120	120
	<u> </u>	<u> </u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Retained earnings comprise cumulative distributable earnings of the company.

The capital redemption reserve arose on the repurchase of own shares by the company.

16 Contingent liabilities

At 31 March 2023, the company had granted guarantees and performance bonds to third parties totalling £132,000 (2022: £199,000).

The company had provided cross guarantees, as secured by certain property, plant and machinery and a floating charge over the assets of the company to bankers in respect of the borrowings of all UK incorporated subsidiaries to HGEN2 Energy Ventures Limited, the company's ultimate parent undertaking. The contingent liability to the Group and company at 31 March 2023 amounted to £9,847,000 (2022: £18,467,000).

17 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 £765,000 (2022: £681,000). Contributions amounting to £128,000 (2022: £104,000) were payable to the scheme and are included in creditors.

Notes (continued)

18 Commitments

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

	2023 £000	2022 £000
<i>Group</i>		
Contracted	403	339
	<u>403</u>	<u>339</u>
<i>Company</i>		
Contracted	403	228
	<u>403</u>	<u>228</u>

Non-cancellable operating lease rentals are payable as follows:

	2023		2022	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<i>Group</i>				
Less than one year	2,087	153	1,798	204
Between one and five years	7,416	74	7,852	125
More than five years	28,306	-	19,440	-
	<u>37,809</u>	<u>227</u>	<u>29,090</u>	<u>329</u>
	<u>37,809</u>	<u>227</u>	<u>29,090</u>	<u>329</u>
<i>Company</i>				
Less than one year	1,755	102	1,474	155
Between one and five years	6,789	25	7,217	97
More than five years	27,720	-	18,722	-
	<u>36,264</u>	<u>127</u>	<u>27,413</u>	<u>252</u>
	<u>36,264</u>	<u>127</u>	<u>27,413</u>	<u>252</u>

Notes (continued)

19 Net funds

	At 31 March 2022 £000	Cash flow £000	Non cash movements £000	At 31 March 2023 £000
Cash at bank and in hand	2,874	1,686	-	4,560
Total	2,874	1,686	-	4,560

20 Related party transactions

As the company is a wholly owned subsidiary of HGEN2 Energy Ventures Limited the company is exempt under the requirements of Financial Reporting Standard 102 to include details of transactions with wholly owned subsidiary companies.

Identity of related parties with which the Group has transacted

The Group transacts with directors and certain third-party companies that have joint control over one subsidiary within the Hydrasun Group. In addition, its supply-chain includes certain companies who are associated by virtue of their ultimate investor:

Related Party

	Sales to 2023 £000	2022 £000	Purchases from and Administrative Expenses 2023 £000	2022 £000
Entities with control, joint control or significant influence over the Group	2,020	1,140	86	10
Companies associated by virtue of investor relationship	1,047	150	26	2

	Receivables outstanding 2023 £000	2022 £000	Creditors outstanding 2023 £000	2022 £000
Entities with control, joint control or significant influence over the Group	1,970	1,750	18	10
Companies associated by virtue of investor relationship	218	106	5	-

Notes *(continued)*

21 Ultimate parent company

As at 31 March 2023, the company was a wholly owned subsidiary of HGEN2 Energy Ventures Limited which was the ultimate parent company registered in Scotland, and the highest level at which the results of this company are consolidated. The accounts of HGEN2 Energy Ventures Limited are publicly available and can be obtained from Companies House, 2, 4th Floor, Edinburgh Quay, 139 Fountainbridge, Edinburgh EH3 9FF. The registered office is Hydrasun, Gateway Business Park, Moss Road, Aberdeen, AB12 3GQ.

Funds managed by SCF Partners Inc are the majority shareholder of HGEN2 Energy Ventures Ltd as at the date of signing these accounts.