

HYDRO INDUSTRIES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

Gerald Thomas
Chartered Accountants and Statutory Auditor
3 New Mill Court
Swansea Enterprise Park
Swansea
SA7 9FG

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FOR THE YEAR ENDED 31 MAY 2020**

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HYDRO INDUSTRIES LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2020**

DIRECTORS:

W Preece
D F Pickering
G Harri
D Briere De L'Isle
H C Baldock
N M Reynolds

SECRETARY:

R Brooks

REGISTERED OFFICE:

5th Floor
Lansdowne House
57 Berkeley Square
London
W1J 6ER

REGISTERED NUMBER:

07364156 (England and Wales)

AUDITORS:

Gerald Thomas
Chartered Accountants and Statutory Auditor
3 New Mill Court
Swansea Enterprise Park
Swansea
SA7 9FG

BALANCE SHEET
31 MAY 2020

		2020	2019
	Notes	£	£
FIXED ASSETS			
Tangible assets	4	1,611,935	329,163
Investments	5	<u>223,008</u>	<u>218,146</u>
		1,834,943	547,309
CURRENT ASSETS			
Stocks	6	3,528,931	3,597,316
Debtors	7	2,814,735	724,084
Cash at bank and in hand		<u>5,840,909</u>	<u>175,720</u>
		12,184,575	4,497,120
CREDITORS			
Amounts falling due within one year	8	<u>1,433,213</u>	<u>1,009,329</u>
NET CURRENT ASSETS		<u>10,751,362</u>	<u>3,487,791</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,586,305	4,035,100
CREDITORS			
Amounts falling due after more than one year	9	<u>21,385</u>	<u>27,529</u>
NET ASSETS		<u>12,564,920</u>	<u>4,007,571</u>
CAPITAL AND RESERVES			
Called up share capital		856	796
Share premium		27,944,455	19,744,617
Capital redemption reserve		465	465
Retained earnings		<u>(15,380,856)</u>	<u>(15,738,307)</u>
		12,564,920	4,007,571

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

BALANCE SHEET - continued
31 MAY 2020

The financial statements were approved by the Board of Directors and authorised for issue on 21 August 2020 and were signed on its behalf by:

W Preece - Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

1. STATUTORY INFORMATION

Hydro Industries Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

Monetary amounts in these financial statements are rounded to the nearest £.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern

In preparing the financial statements, the directors have considered the current financial position of the company and its likely future cashflows. The directors have noted that the company has made a profit in the year, and has both net current assets and net assets at balance sheet date. The company has a cash at bank balance £5,840,909 as at 31 May 2020.

There is considerable uncertainty about what the future holds for the UK economy and the consequences for the business.

The directors have assessed the risks facing the business from Covid-19 and implemented measures to address these risks, including obtaining government financial assistance.

In considering the Coronavirus 2019 (COVID-19), the directors understand the situation is still evolving and the full impact on the business is unclear. The directors have taken steps to mitigate the risk to the business and although there is uncertainty, the directors are confident that all reasonable measures which can be taken, have been, to safeguard the business, its staff and customers.

The company has prepared forecasts to assess its cash flows and funding requirements for the foreseeable future. In formulating the assumptions on trading and working capital, the company has considered current contracts and the impact on cash flows of future orders.

At the date of signing the financial statements, after making appropriate enquiries and examining those areas which could give rise to financial exposure including the impact of Covid-19, the directors are satisfied that the company will have adequate resources to continue its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The particular accounting policies adopted, which have been applied consistently throughout the current and prior financial year, are described below:

Preparation of consolidated financial statements

The financial statements contain information about Hydro Industries Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2020

2. ACCOUNTING POLICIES - continued

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Significant judgements and estimates

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below :

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(ii) Inventory provisioning

The company assesses the requirement for inventory provision and considers the nature and condition of the inventory, as well as applying assumptions around - saleability of finished goods and future usage of raw materials.

(iii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of the debtors and historical experience.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured and the following criteria has been met :-

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold ;
- the amount of turnover can be measured reliably ;
- it is probable that the company will receive the consideration due under the transaction ; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied :

- the amount of turnover can be measured reliably ;
 - it is probable that the company will receive the consideration due under the contract ;
 - the stage of completion of the contract at the end of the reporting period can be measured reliably ;
- and
- the costs incurred and the costs to complete the contract can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2020

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis :

Plant and machinery	- 10 - 33% straight line
Motor vehicles	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads where appropriate.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2020

2. ACCOUNTING POLICIES - continued

Financial instruments

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

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

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2020

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 22 (2019 - 25) .

4. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 June 2019	910,365	124,645	1,035,010
Additions	1,375,249	-	1,375,249
Disposals	-	(25,857)	(25,857)
At 31 May 2020	<u>2,285,614</u>	<u>98,788</u>	<u>2,384,402</u>
DEPRECIATION			
At 1 June 2019	611,121	94,726	705,847
Charge for year	82,327	8,534	90,861
Eliminated on disposal	-	(24,241)	(24,241)
At 31 May 2020	<u>693,448</u>	<u>79,019</u>	<u>772,467</u>
NET BOOK VALUE			
At 31 May 2020	<u>1,592,166</u>	<u>19,769</u>	<u>1,611,935</u>
At 31 May 2019	<u>299,244</u>	<u>29,919</u>	<u>329,163</u>

The net book value of tangible fixed assets include £23,040 in respect of assets held under hire purchase contracts as at 31 May 2020 (2019 - £35,574).

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 June 2019	218,146
Additions	<u>4,862</u>
At 31 May 2020	<u>223,008</u>
NET BOOK VALUE	
At 31 May 2020	<u>223,008</u>
At 31 May 2019	<u>218,146</u>

6. STOCKS

	2020 £	2019 £
Raw materials	424,340	362,941
Finished goods	<u>3,104,591</u>	<u>3,234,375</u>
	<u>3,528,931</u>	<u>3,597,316</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2020

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade debtors	184,328	135,700
Amounts owed by related parties	263,194	215,739
Other debtors	108,402	28,885
Directors' current accounts	81,529	87,023
Corporation tax recoverable	400,000	194,552
VAT	40,166	24,184
Prepayments and accrued income	1,737,116	38,001
	<u>2,814,735</u>	<u>724,084</u>

Amounts owed by related parties in respect of loan balances and directors' current account balances are interest-free and repayable on demand.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Bank loans and overdrafts	1,281	1,298
Other loans	525,000	525,000
Hire purchase contracts	6,144	4,905
Trade creditors	602,977	416,857
Credit card	9,806	-
Social security and other taxes	262,715	39,783
Pension creditor	4,471	5,087
Accruals and deferred income	20,819	16,399
	<u>1,433,213</u>	<u>1,009,329</u>

Other loans include £25,000 (2019 - £25,000) interest capitalised which remains unpaid at the date of signing the financial statements. The other loans are unsecured and have no fixed repayment terms.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Hire purchase contracts	<u>21,385</u>	<u>27,529</u>

10. SECURED DEBTS

The following secured debts are included within creditors:

	2020	2019
	£	£
Hire purchase contracts	<u>27,529</u>	<u>32,434</u>

Obligations under hire purchase contracts are secured on the assets to which they relate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2020

11. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

Brian Garland (Senior Statutory Auditor)
for and on behalf of Gerald Thomas

12. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the pension schemes are held separately from those of the company, in independently administered funds. The pension cost charge in the year £51,173 (2019 - £46,499) represents contributions payable by the company to the funds. At the end of the period there were contributions outstanding of £4,471 (2019 - £5,087).

13. RELATED PARTY DISCLOSURES

During the year ended 31 May 2020 the company received sales of £1,700,000 from its subsidiary Hydro Industries Egypt LLC. These amounts in respect of the stage of completion of the contract are included in Accrued income at the balance sheet date.

14. POST BALANCE SHEET EVENTS

In July 2020 Hydro Industries Limited entered into a convertible loan arrangement through the shareholders and the UK Government's Coronavirus Future Fund. On 20 August 2020, the Board resolved to accept an offer of further investment. This offer of investment was for a sum in excess of 25% (but less than 100%) of the aggregate value of the Convertible Loan Notes in issue at that date.

According to the terms of the Convertible Loan Agreement (CLA), the investment will trigger the conversion of the Convertible Loan Notes into Ordinary shares of the Company (at a 20% discount to the price of the shares issued in relation to the offer of investment) on the election of the Lender Majority (meaning the holders of in excess of 50% of the total Convertible Loan Notes that remain outstanding under the CLA, excluding those held by the Future Fund). Confirmation was given to the Board that the Lender Majority will elect to trigger conversion.

Accordingly, it was resolved that all necessary notices and documentation were to be issued in order to effect the investment and Loan Note conversion.

15. ULTIMATE CONTROLLING PARTY

The directors do not consider there to be an ultimate controlling party.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.