

Registered number
02766330

Hydra (South West) Limited
Report and Financial Statements
31 December 2016



Hydra (South West) Limited
Report and accounts
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Hydra (South West) Limited
Company Information

Directors

Mr S J Richards
Mr P S Wallis

Secretary

Mr P A Keatley

Auditors

Kelsall Steele Ltd
Woodlands Court
Truro Business Park
Truro
Cornwall
TR4 9NH

Bankers

Barclays Bank plc
14 King Street
Truro
Cornwall
TR1 2RB

Registered office

Unit 3, Warren Road
Indian Queens Industrial Estate
St Columb
Cornwall
TR9 6TL

Registered number

02766330

Hydra (South West) Limited Strategic Report

Review of the business

The principal activity of the business during the year under review continued to be that of precision engineering.

The Company's turnover has increased to £4.1m (2015: £3.4m). Taking into account the extended trading period of 14 months, this is slightly up on the previous year. Predictions for the period were to see a significant increase in turnover. This looked to be the case until the EU referendum vote to leave the EU resulted in a significant slow down and delaying of orders. Almost 65% of the turnover for the period occurred in the seven month period prior to the referendum, with only 35% occurring in the final seven months.

This initial slowdown in order intake is not expected to impact on the business in the longer term. The rate of enquiries for new contracts has now exceeded the pre referendum levels with many expected to convert into firm orders which will see a significant increase in turnover in the coming years.

Acquisition of the Hydra Group by the Eliquo Water Group GmbH

During the period the group of companies to which Hydra (South West) Limited belongs was subject to a significant reorganisation prior to being purchased by the Eliquo Water Group GmbH.

As part of the reorganisation of the group the ownership of all group companies, namely Hydra Holdings Limited (the former parent company), Hydra (South West) Limited itself and Hydrok UK Limited (the former subsidiary company) was transferred to Hydra Holdings 2015 Limited.

Eliquo Water Group GmbH then acquired a 100% shareholding in Hydra Holdings 2015 Limited.

The acquisition of the Hydra Group by the Eliquo Water Group will give the Hydra Group access to the technology portfolio of Eliquo and also to allow Eliquo establish a presence in the UK municipal water and wastewater technology market. Significant synergies have been identified between the two groups of companies with many complimentary products and no 'crossover' of competing products.

Principal risks and uncertainties.

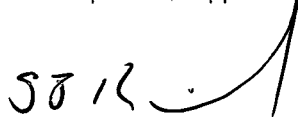
The principal trading risk the Company faces is the uncertainty brought about by the referendum vote to leave the EU.

The Directors believe that the increased product portfolio available to the Company as part of the Eliquo Water Group, being a UK based manufacturing centre for the Eliquo Water Group, along with the additional financial backing available to the Company, we are in a strong position going forward.

Financial risk management policy.

The Company's principal financial instruments comprise of cash and cash equivalents. Other financial assets and liabilities, such as trade debtors, trade creditors and intra-group balances arise directly out of the Company's operating activities. Appropriate steps are taken to minimise the risks involved in offering credit terms to our customers.

This report was approved by the board on 28 April 2017 and signed on its behalf.



Mr S J Richards
Director

Hydra (South West) Limited

Registered number:

02766330

Directors' Report

The directors present their report and financial statements for the period ended 31 December 2016.

Principal activities

The company's principal activity during the year continued to be that of precision engineering.

Review of the business

The Directors' review of the business is laid out within the Strategic Review of the business on page 2 of these financial statements.

Dividends

The profit for the year, before taxation, amounted to £1,620,233 (2015: £2,213,652). Cash dividends paid in the year were £1,432,546 (2015: £2,462,944). Of these cash dividends £1,230,000 (2015: £2,100,000) were paid to the parent company, Hydra Holdings Limited. This was to enable Hydra Holdings Limited to meet its obligation to repay monies outstanding to a former Director and shareholder of the Company regarding the purchase, by Hydra Holdings 2015 Limited, of 100% of the share capital of Hydra Holdings Limited.

As part of the group reorganisation the Company declared a Dividend in Specie to the value of £1,052,631, this being the Companies investment in the former subsidiary company Eliquo Hydrok Ltd.

Directors

The following persons served as directors during the period:

Mr D E Armstrong - resigned 24th October 2016

Mrs N A Richards - resigned 24th October 2016

Mr S J Richards - appointed 24th October 2016

Mr P S Wallis - appointed 24th October 2016

Auditors

Kelsall Steele are deemed to be re-appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under Companies Act 2006.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board on 28 April 2017 and signed on its behalf.



Mr S J Richards
Director

Hydra (South West) Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors

- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Hydra (South West) Limited
Independent auditors' report
to the members of Hydra (South West) Limited

We have audited the financial statements of Hydra (South West) Limited for the period ended 31 December 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the accounts

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

Opinion on the accounts

In our opinion the accounts:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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.

C Vaughan FCCA ACA
(Senior Statutory Auditor)
for and on behalf of
Kelsall Steele Ltd
Accountants and Statutory Auditors
28 April 2017

Woodlands Court
Truro Business Park
Truro
Cornwall
TR4 9NH


Hydra (South West) Limited
Statement of Comprehensive Income
for the period from 1 November 2015 to 31 December 2016

	Notes	Period ended 31-12-16 £	Year ended 31-10-15 £
Turnover	3	4,114,550	3,388,472
Cost of sales		(3,099,808)	(2,420,196)
Gross profit		<u>1,014,742</u>	<u>968,276</u>
Administrative expenses		(1,123,395)	(1,141,612)
Other operating income		34,648	35,107
Operating loss	4	<u>(74,005)</u>	<u>(138,229)</u>
Exceptional items:			
Restructuring costs	7	(110,518)	(76,459)
Loss on disposal of investments		-	(61)
		<u>(110,518)</u>	<u>(76,520)</u>
		<u>(184,523)</u>	<u>(214,749)</u>
Income from investments		1,825,000	2,450,000
Interest payable	8	(20,244)	(21,599)
Profit on ordinary activities before taxation		<u>1,620,233</u>	<u>2,213,652</u>
Tax on profit on ordinary activities	9	23,818	13,396
Profit for the period		<u>1,644,051</u>	<u>2,227,048</u>
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		<u>1,644,051</u>	<u>2,227,048</u>

Hydra (South West) Limited
Statement of Financial Position
as at 31 December 2016

Registered number 2766330

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	10	369,023	497,628
Investments	11	-	1,052,631
		<u>369,023</u>	<u>1,550,259</u>
Current assets			
Stocks	12	777,178	1,035,261
Debtors	13	481,381	560,291
Cash at bank and in hand		2,435	869
		<u>1,260,994</u>	<u>1,596,421</u>
Creditors: amounts falling due within one year	14	(1,210,002)	(1,758,725)
Net current assets/(liabilities)		<u>50,992</u>	<u>(162,304)</u>
Total assets less current liabilities		<u>420,015</u>	<u>1,387,955</u>
Creditors: amounts falling due after more than one year	16	(167,871)	(261,739)
Provisions for liabilities			
Deferred taxation	18	(31,696)	(64,642)
Net assets		<u>220,448</u>	<u>1,061,574</u>
Capital and reserves			
Called up share capital	19	1,325	1,422
Share premium	20	-	552,106
Other reserves	21	323	226
Profit and loss account	22	218,800	507,820
Total equity		<u>220,448</u>	<u>1,061,574</u>



Mr P S Wallis
 Director
 Approved by the board on 28 April 2017

Hydra (South West) Limited
Statement of Changes in Equity
for the period from 1 November 2015 to 31 December 2016

	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 November 2014	1,433	552,106	215	743,716	1,297,470
Profit for the financial year				2,227,048	2,227,048
Dividends				(2,462,944)	(2,462,944)
Shares redeemed	(11)		11		-
At 31 October 2015	<u>1,422</u>	<u>552,106</u>	<u>226</u>	<u>507,820</u>	<u>1,061,574</u>
 At 1 November 2015	 1,422	 552,106	 226	 507,820	 1,061,574
Profit for the period				1,644,051	1,644,051
Dividends				(2,485,177)	(2,485,177)
Shares issued	2	(552,106)		552,106	2
Shares redeemed	(99)		97		(2)
At 31 December 2016	<u>1,325</u>	<u>-</u>	<u>323</u>	<u>218,800</u>	<u>220,448</u>

Hydra (South West) Limited
Statement of Cash Flows
for the period from 1 November 2015 to 31 December 2016

	Notes	Period ended 31-12-16 £	Year ended 31-10-15 £
Operating activities			
Operating profit		(74,005)	(138,229)
Restructuring costs		(110,518)	(76,459)
Adjustments for:			
Depreciation		168,432	166,397
(Gain) / loss on disposal of fixed assets		(2,563)	2,540
		(18,654)	(45,751)
Decrease/(increase) in stocks		258,083	(207,727)
Decrease in debtors		78,910	882,543
Decrease in creditors		(325,016)	(542,742)
		(6,677)	86,323
Dividends received		1,825,000	2,450,000
Interest paid		(4,902)	(3,098)
Interest element of finance lease payments		(15,342)	(18,501)
Corporation tax paid		(9,161)	(205,096)
Cash generated by operating activities		<u>1,788,918</u>	<u>2,309,628</u>
Investing activities			
Payments to acquire tangible fixed assets		(42,764)	(66,637)
Proceeds from sale of tangible fixed assets		5,500	5,854
Cash used in investing activities		<u>(37,264)</u>	<u>(60,783)</u>
Financing activities			
Equity dividends paid	23	(1,432,546)	(2,462,944)
Proceeds from the issue of shares		2	-
Payments to redeem shares		(2)	-
Capital element of finance lease payments		(65,087)	(109,881)
Cash used in financing activities		<u>(1,497,633)</u>	<u>(2,572,825)</u>
Net cash generated/(used)			
Cash generated by operating activities		1,788,918	2,309,628
Cash used in investing activities		(37,264)	(60,783)
Cash used in financing activities		(1,497,633)	(2,572,825)
Net cash generated/(used)		<u>254,021</u>	<u>(323,980)</u>
Cash and cash equivalents at 1 November		<u>(251,586)</u>	<u>72,394</u>
Cash and cash equivalents at 31 December		<u>2,435</u>	<u>(251,586)</u>
Cash and cash equivalents comprise:			
Cash at bank		2,435	869
Bank overdrafts	14	-	(252,455)
		<u>2,435</u>	<u>(251,586)</u>

Hydra (South West) Limited
Notes to the Accounts
for the period from 1 November 2015 to 31 December 2016

1 Statutory Information

Hydra (South West) 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 company's principal activities are disclosed in the Directors' Report.

2 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention except for the modification to a fair value basis for certain financial instruments and properties as specified in the accounting policies below.

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

This is the first year in which the financial statements have been prepared under FRS 102. The date of transition was 1 November 2014. No balances have required restatement on transition, and there has been no affect to profit or loss, or shareholders' funds to report.

The directors, after making enquiries and having considered the company's business, its financial plans and the facilities available to finance the business, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

During the period the Company changed its accounting period end date to the 31 December in order to align its reporting to its new parent company; as a result comparative amounts stated are not entirely comparable.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer.

Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. Stage of completion is assessed on a monthly basis by review of raw materials and labour utilised.

Hydra (South West) Limited
Notes to the Accounts
for the period from 1 November 2015 to 31 December 2016

2 Summary of significant accounting policies cont...

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Plant, machinery and motor vehicles	10%, 20% 33% and 50% straight line
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Impairment of Tangible Fixed Assets

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the average cost method.

The carrying amount of stock sold is recognised as an expense in the period in which the related revenue is recognised.

Loans

Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Hydra (South West) Limited
Notes to the Accounts
for the period from 1 November 2015 to 31 December 2016

2 Summary of significant accounting policies cont...

Capital grants

To the extent that grants are made as a contribution towards specific expenditure on fixed assets, they are included as other creditors within the Statement of Financial Position and released to the Statement of Comprehensive Income in 'Other Operating Income' over the expected useful economic life of the asset to which they relate.

Taxation

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

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

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

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Hydra (South West) Limited
Notes to the Accounts
for the period from 1 November 2015 to 31 December 2016

2 Summary of significant accounting policies cont...

Financial Instruments

The company has elected to apply the provisions of Section 11 "Basic Financial Instruments" and Section 12 "Other Financial Instruments" of FRS102 to all of its financial instruments.

Financial assets and liabilities are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial asset or liability and is determined at the time of recognition.

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

Basic financial liabilities, which include trade and other payables are initially measured 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.

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

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

The rights of use and obligations under finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leased assets are depreciated in accordance with the company's policy for tangible fixed assets. If there is no reasonable certainty that ownership will be obtained at the end of the lease term, the asset is depreciated over the lower of the lease term and its useful life.

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Hydra (South West) Limited
Notes to the Accounts
for the period from 1 November 2015 to 31 December 2016

2 Summary of significant accounting policies cont...

Employee Benefits

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

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

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

Pensions

Contributions to defined contribution plans are expensed in the period to which they relate.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statement and are the company's key sources of estimation uncertainty:

Operating lease commitments

The company has entered into commercial property leases as a lessee and it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset.

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the company and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Hydra (South West) Limited
Notes to the Accounts
for the period from 1 November 2015 to 31 December 2016

	Period ended 31-12-16 £	Year ended 31-10-15 £
3 Analysis of turnover		
Sale of goods and associated services	<u>4,114,550</u>	<u>3,388,472</u>
By geographical market:		
UK	<u>4,114,550</u>	<u>3,388,472</u>
4 Operating profit	Period ended 31-12-16 £	Year ended 31-10-15 £
This is stated after charging:		
Depreciation of owned fixed assets	102,940	98,195
Depreciation of assets held under finance leases and hire purchase contracts	65,492	68,202
Operating lease rentals - land and buildings	96,188	71,176
Auditors' remuneration for audit services	5,040	3,600
Key management personnel compensation (including directors' emoluments)	176,353	61,484
Carrying amount of stock sold	<u>1,761,149</u>	<u>1,288,875</u>
5 Directors' emoluments	Period ended 31-12-16 £	Year ended 31-10-15 £
Emoluments	111,467	13,923
Company contributions to defined contribution pension plans	<u>8,579</u>	<u>184,043</u>
	<u>120,046</u>	<u>197,966</u>
Number of directors to whom retirement benefits accrued:	Period ended 31-12-16 Number	Year ended 31-10-15 Number
Defined contribution plans	<u>3</u>	<u>3</u>

Hydra (South West) Limited
Notes to the Accounts
for the period from 1 November 2015 to 31 December 2016

	Period ended 31-12-16 £	Year ended 31-10-15 £
6 Staff costs		
Wages and salaries	1,523,439	1,271,758
Social security costs	136,151	112,901
Other pension costs	34,125	200,073
	<u>1,693,715</u>	<u>1,584,732</u>

Average number of employees during the year	Number	Number
Administration	5	5
Development	1	1
Distribution	4	5
Manufacturing	46	44
Sales	1	1
	<u>57</u>	<u>56</u>

7 Exceptional items

Legal and professional fees incurred during the period relating to the group reorganisation were paid by the Company and charged to the Statement of Comprehensive Income.

	Period ended 31-12-16 £	Year ended 31-10-15 £
8 Interest payable		
Bank loans and overdrafts	4,902	3,098
Finance charges payable under finance leases and hire purchase contracts	15,342	18,501
	<u>20,244</u>	<u>21,599</u>

Hydra (South West) Limited
Notes to the Accounts
for the period from 1 November 2015 to 31 December 2016

	Period ended 31-12-16 £	Year ended 31-10-15 £
9 Taxation		
Analysis of charge in period		
Current tax:		
Adjustments in respect of previous periods	9,128	-
Deferred tax:		
Origination and reversal of timing differences	5,724	(13,396)
Tax losses	(38,670)	-
	<u>(32,946)</u>	<u>(13,396)</u>
Tax on loss on ordinary activities	<u>(23,818)</u>	<u>(13,396)</u>

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	Period ended 31-12-16 £	Year ended 31-10-15 £
Profit on ordinary activities before tax	<u>1,620,233</u>	<u>2,213,652</u>
Standard rate of corporation tax in the UK	20%	20.41%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	324,047	451,806
Effects of:		
Expenses not deductible for tax purposes	14,584	11,157
Group relief	-	23,412
Dividends received from subsidiary	(365,000)	(500,045)
Effect of changes in tax rates	(14,861)	274
Tax losses not yet utilised	8,284	-
Tax under provision in previous year	9,128	-
	<u>(23,818)</u>	<u>(13,396)</u>
Tax on loss on ordinary activities	<u>(23,818)</u>	<u>(13,396)</u>

Factors that may affect future tax charges

A change in legislation will result in further annual reductions in the main rate of Corporation Tax to 17% for financial year beginning 1st April 2020, this will be reflected in the charge to Corporation Tax in future periods.

Hydra (South West) Limited
Notes to the Accounts
for the period from 1 November 2015 to 31 December 2016

10 Tangible fixed assets

	Motor vehicles <i>At cost</i> £	Fixtures, fittings, tools and equipment <i>At cost</i> £	Total £
Cost or valuation			
At 1 November 2015	201,800	1,251,646	1,453,446
Additions	-	42,764	42,764
Disposals	(33,815)	(7,500)	(41,315)
At 31 December 2016	<u>167,985</u>	<u>1,286,910</u>	<u>1,454,895</u>
Depreciation			
At 1 November 2015	155,720	800,098	955,818
Charge for the period	27,587	140,845	168,432
On disposals	(33,815)	(4,563)	(38,378)
At 31 December 2016	<u>149,492</u>	<u>936,380</u>	<u>1,085,872</u>
Carrying amount			
At 31 December 2016	<u>18,493</u>	<u>350,530</u>	<u>369,023</u>
At 31 October 2015	<u>46,080</u>	<u>451,548</u>	<u>497,628</u>

	Period ended 31-12-16 £	Year ended 31-10-15 £
Carrying value of plant and machinery included above held under finance leases and hire purchase contracts	189,199	256,292
Depreciation of plant and machinery included above held under finance leases and hire purchase contracts	65,492	68,202

11 Investments	Shares in subsidiary undertakings £	Total £
At 1 November 2015	1,052,631	1,052,631
Additions	-	-
Disposals	(1,052,631)	(1,052,631)
At 31 December 2016	<u>-</u>	<u>-</u>
Dividends and other distributions from associates included in income	1,825,000	2,450,000

During the period, as part of a substantial reorganisation, the company transferred its investments in subsidiary undertakings via a dividend in specie to its parent company Hydra Holdings Limited.

Hydra (South West) Limited
Notes to the Accounts
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	Period ended 31-12-16 £	Year ended 31-10-15 £
12 Stocks		
Raw materials and consumables	544,682	748,017
Work in progress	232,496	287,244
	<u>777,178</u>	<u>1,035,261</u>

During the period the Company purchased £1,557,814 of raw materials and consumables.

	Period ended 31-12-16 £	Year ended 31-10-15 £
13 Debtors		
Trade debtors	42,997	35,055
Amounts owed by group undertakings	317,700	-
Prepayments	33,911	45,166
Other debtors	86,773	70
Amount due from former shareholder	-	480,000
	<u>481,381</u>	<u>560,291</u>

Included in prior year 'amount due from former shareholder' above is an amount of £480,000 loaned to a former Director of the company. The balance outstanding was repaid in full in February 2016.

Included within 'other debtors' is a balance of £85,345 relating to legal fees paid on the behalf of the previous shareholders relating to the restructuring and subsequent acquisition of the company by Eliquo Water Group. Negotiations are ongoing as to the source and timing of the repayment of this sum.

	Period ended 31-12-16 £	Year ended 31-10-15 £
14 Creditors: amounts falling due within one year		
Bank overdrafts	-	252,455
Obligations under finance lease and hire purchase contracts	57,476	55,886
Trade creditors	140,485	381,594
Amounts owed to group undertakings	761,574	470,227
Corporation tax	-	33
Other taxes and social security costs	98,848	47,598
Other creditors	140,588	540,413
Accruals and deferred income	11,031	10,519
	<u>1,210,002</u>	<u>1,758,725</u>

Included within prior year 'other creditors' above is an amount of £339,287 which is owed to IQ Developments UK Ltd, a related party company due to common ownership. The loan was made in 2006/07, no formal agreement is in place regarding the balance owed and no interest is accruing thereon. The loan was be repaid in full in May 2016.

Amount due to group undertakings are interest free and repayable on demand.

All obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

Hydra (South West) Limited
Notes to the Accounts
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	Period ended 31-12-16 £	Year ended 31-10-15 £	
15 Financial Assets and Liabilities			
Carrying amount of financial assets			
Cash measured at amortised cost (incl. investments)	2,435	869	
Debtors measured at amortised cost	481,381	560,291	
	<u>483,816</u>	<u>561,160</u>	
Carrying amount of financial liabilities			
Loans and overdrafts measured at amortised cost	-	252,455	
Creditors measured at amortised cost	1,115,198	1,491,464	
Hire Purchase agreements measured at amortised cost	163,827	228,914	
	<u>1,279,025</u>	<u>1,972,833</u>	
	Period ended 31-12-16 £	Year ended 31-10-15 £	
16 Creditors: amounts falling due after one year			
Obligations under finance lease and hire purchase contracts	106,351	173,028	
Other creditors	61,520	88,711	
	<u>167,871</u>	<u>261,739</u>	
	Period ended 31-12-16 £	Year ended 31-10-15 £	
17 Obligations under finance leases and hire purchase contracts			
Amounts payable:			
Within one year	57,476	55,886	
Within two to five years	106,351	173,028	
	<u>163,827</u>	<u>228,914</u>	
	Accelerated capital allowances	Tax losses	Total
18 Deferred taxation			
Balance brought forward 01 November 2015	64,642	-	64,642
Movement in year	5,724	(38,670)	(32,946)
Balance carried forward 31 December 2016	<u>70,366</u>	<u>(38,670)</u>	<u>31,696</u>
		Period ended 31-12-16 £	Year ended 31-10-15 £
At 1 November		64,642	78,038
Credited to the profit and loss account		(32,946)	(13,396)
At 31 December		<u>31,696</u>	<u>64,642</u>

Hydra (South West) Limited
Notes to the Accounts
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19 Share capital	Nominal value	2016 Number	Period ended 31-12-16 £	Year ended 31-10-15 £
Allotted, called up and fully paid:				
Ordinary shares	£1 each	1,325	1,325	1,325
"Y" class shares	£1 each	-	-	1
"Z" class shares	£1 each	-	-	1
"B" class shares	£0.10 each	-	-	95
			<u>1,325</u>	<u>1,422</u>

During the period the Company issued one 'V' class and one 'W' class shares at par. As part of the substantial reorganisation, 950 10p 'B' class shares, one 'V' class share, one 'W' class share, one £1 'Y' class share and one £1 'Z' class share were purchased by the company. No payment was made by the company for these shares and as such the nominal value has been taken to the capital redemption reserve.

There were no voting rights attached to the holding of any of the B, V, W, Y or Z class shares.

20 Share premium	Period ended 31-12-16 £	Year ended 31-10-15 £
At 1 November	552,106	552,106
Transferred to profit and loss account	(552,106)	-
At 31 December	<u>-</u>	<u>552,106</u>

Under the provisions of chapter 10, part 17 of the Companies Act 2006, the Company has undertaken a reduction in share capital during the period and thus reduced the Share Premium account to £nil, (2015: £552,106).

21 Other reserves	Period ended 31-12-16 £	Year ended 31-10-15 £
Capital redemption reserve		
At 1 November	226	215
Transfer to reserve on purchase of own shares	97	11
At 31 December	<u>323</u>	<u>226</u>

During the period 950 10p 'B' class shares 1 £1 'V' class share, 1 £1 'W' class share, 1 £1 'Y' class share and 1 £1 'Z' class shares were redeemed as part of the group reorganisation. No payment was made by the Company for these shares and as such the nominal value has been taken to the capital redemption reserve.

Hydra (South West) Limited
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22 Profit and loss account	Period ended 31-12-16 £	Year ended 31-10-15 £
At 1 November	507,820	743,716
Profit for the period	1,644,051	2,227,048
Dividends (note 23)	(2,485,177)	(2,462,944)
From share premium account	552,106	-
At 31 December	<u>218,800</u>	<u>507,820</u>

23 Dividends	Period ended 31-12-16 £	Year ended 31-10-15 £
Dividend in specie (note 11)	1,052,631	-
Dividends on ordinary shares (note 22)	1,432,546	2,462,944
	<u>2,485,177</u>	<u>2,462,944</u>

24 Loans to directors	B/fwd £	Paid £	Repaid £	C/fwd £
Mr D E Armstrong - resigned 24th October 2016				
Directors' loan account	(47,260)	47,260	-	-
Mrs N A Richards - resigned 24th October 2016				
Directors' loan account	(18,859)	18,859	-	-
	<u>(66,119)</u>	<u>66,119</u>	<u>-</u>	<u>-</u>

Hydra (South West) Limited
Notes to the Accounts
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25 Related party transactions

Period ended 31-12-16	Year ended 31-10-15
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IQ Developments UK Limited

Prior to the reorganisation described in the Strategic Report on page 2 of this report, IQ Developments UK Limited was a related party due to common ownership

During the period IQ Developments UK Limited provided services to Hydra (South West) Limited of £71,498 (2015: £62,925).

During the period IQ Developments UK Limited provided services to the former subsidiary of Hydra (South West) Limited, Hydrok UK Limited, of £41,233 (2015: £22,922).

Amount owed (to) / from related party	-	(339,287)
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Expenses incurred during the acquisition of the company by the Eliquo Water Group by the previous shareholders were paid by the company on their behalf. The balance outstanding of £85,345 is disclosed under 'other debtors' - note 13.

The Company has taken 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.

26 Controlling party

The ultimate parent company of the group to which Hydra (South West) Limited belongs is SKion GmbH an investment company registered in Germany.

The ultimate controlling party is the owner of 100% of the share capital of SKion GmbH, Susanne Klatten.

The registered address of SKion GmbH, and where the group accounts can be obtained, is Seedammweg 55, 61352 Bad Homburg vor der Höhe, Germany.