

Registered number
02766330

Hydra (South West) Limited
Report and Financial Statements
31 December 2017



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**Registered number:**

02766330

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2017.

Principal activities

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

Directors

The following persons served as directors during the whole of the period from 1 January 2017 to the date of this report:

Mr S J Richards

Mr P S Wallis

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 26 February 2018 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 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;
- 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

Opinion

We have audited the financial statements of Hydra (South West) Limited (the 'company') for the year ended 31 December 2017 on pages 6 to 22. 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 company's affairs as at 31 December 2017, and of its 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 auditor's 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.

Opinions 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Continued.....

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit []; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's 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.

C Vaughan FCCA ACA
(Senior Statutory Auditor)
for and on behalf of
Kelsall Steele Ltd
Statutory Auditors
26 February 2018

Woodlands Court
Truro Business Park
Truro
Cornwall
TR4 9NH

Hydra (South West) Limited
Statement of Comprehensive Income
for the year ended 31 December 2017

	Notes	Year ended 31-12-17 £	Period ended 31-12-16 £
Turnover	3	3,555,574	4,114,550
Cost of sales		(2,308,575)	(3,099,808)
Gross profit		<u>1,246,999</u>	<u>1,014,742</u>
Administrative expenses		(1,063,921)	(1,123,395)
Other operating income		23,307	34,648
Operating profit/(loss)	4	<u>206,385</u>	<u>(74,005)</u>
Exceptional items:			
Restructuring costs		-	(110,518)
		<u>-</u>	<u>(110,518)</u>
		<u>206,385</u>	<u>(184,523)</u>
Income from investments		-	1,825,000
Interest payable	7	(9,108)	(20,244)
Profit on ordinary activities before taxation		<u>197,277</u>	<u>1,620,233</u>
Tax on profit on ordinary activities	8	(34,507)	23,818
Profit for the financial year		<u>162,770</u>	<u>1,644,051</u>
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		<u>162,770</u>	<u>1,644,051</u>

Hydra (South West) Limited
Statement of Financial Position
as at 31 December 2017

Registered number 2766330

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	9	798,436	369,023
Current assets			
Stocks	11	1,224,377	777,178
Debtors	12	1,897,914	481,381
Cash at bank and in hand		171,976	2,435
		<u>3,294,267</u>	<u>1,260,994</u>
Creditors: amounts falling due within one year	13	(3,553,457)	(1,210,002)
Net current (liabilities)/assets		<u>(259,190)</u>	<u>50,992</u>
Total assets less current liabilities		<u>539,246</u>	<u>420,015</u>
Creditors: amounts falling due after more than one year	15	(89,825)	(167,871)
Provisions for liabilities			
Deferred taxation	17	(66,203)	(31,696)
Net assets		<u>383,218</u>	<u>220,448</u>
Capital and reserves			
Called up share capital	18	1,325	1,325
Other reserves	20	323	323
Profit and loss account	21	381,570	218,800
Total equity		<u>383,218</u>	<u>220,448</u>


Mr P S Wallis
Director
Approved by the board on 26 February 2018

Hydra (South West) Limited
Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital	Share premium	Capital redemption reserve	Profit and loss account	Total
	£	£	£	£	£
At 1 November 2015	1,422	552,106	226	507,820	1,061,574
Profit for the financial year				1,644,051	1,644,051
Dividends				(2,485,177)	(2,485,177)
Shares issued	2	(552,106)	(2)	552,106	-
Shares redeemed	(99)		99		-
At 31 December 2016	<u>1,325</u>	<u>-</u>	<u>323</u>	<u>218,800</u>	<u>220,448</u>
At 1 January 2017	1,325	-	323	218,800	220,448
Profit for the financial year				162,770	162,770
At 31 December 2017	<u>1,325</u>	<u>-</u>	<u>323</u>	<u>381,570</u>	<u>383,218</u>

Hydra (South West) Limited
Statement of Cash Flows
for the year ended 31 December 2017

	Notes	Year ended 31-12-17 £	Period ended 31-12-16 £
Operating activities			
Operating profit		206,385	(74,005)
Restructuring costs		-	(110,518)
Adjustments for:			
Depreciation		118,891	168,432
(Gain) / loss on disposal of fixed assets		(19,307)	(2,563)
		<u>305,969</u>	<u>(18,654)</u>
(Increase)/decrease in stocks		(447,199)	258,083
(Increase)/decrease in debtors		(1,416,533)	78,910
Increase/(decrease) in creditors		<u>2,322,885</u>	<u>(325,016)</u>
		765,122	(6,677)
Dividends received		-	1,825,000
Interest paid		(653)	(4,902)
Interest element of finance lease payments		(8,455)	(15,342)
Corporation tax paid		-	(9,161)
Cash generated by operating activities		<u>756,014</u>	<u>1,788,918</u>
Investing activities			
Payments to acquire tangible fixed assets		(549,329)	(42,764)
Proceeds from sale of tangible fixed assets		20,332	5,500
Cash used in investing activities		<u>(528,997)</u>	<u>(37,264)</u>
Financing activities			
Equity dividends paid	22	-	(1,432,546)
Proceeds from the issue of shares		-	2
Payments to redeem shares		-	(2)
Capital element of finance lease payments		(57,476)	(65,087)
Cash used in financing activities		<u>(57,476)</u>	<u>(1,497,633)</u>
Net cash generated			
Cash generated by operating activities		756,014	1,788,918
Cash used in investing activities		(528,997)	(37,264)
Cash used in financing activities		(57,476)	(1,497,633)
Net cash generated		<u>169,541</u>	<u>254,021</u>
Cash and cash equivalents at 1 January		2,435	(251,586)
Cash and cash equivalents at 31 December		<u>171,976</u>	<u>2,435</u>
Cash and cash equivalents comprise:			
Cash at bank		<u>171,976</u>	<u>2,435</u>

The notes on pages 10 to 22 form part of these financial statements

Hydra (South West) Limited
Notes to the Accounts
for the year ended 31 December 2017

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.

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.

The comparative amounts are not entirely comparable, due to the company aligning its reporting date with the parent company in the prior period.

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 year ended 31 December 2017

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:

Property improvements	4% straight line
Fixtures, fittings, tools and equipment	10%, 20% and 33% straight line
Motor vehicles	20% and 50% straight line

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.

Hydra (South West) Limited
Notes to the Accounts
for the year ended 31 December 2017

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.

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 year ended 31 December 2017

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 year ended 31 December 2017

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:

i) 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.

ii) 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.

iii) 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.

Hydra (South West) Limited
Notes to the Accounts
for the year ended 31 December 2017

3 Analysis of turnover	Year ended 31-12-17 £	Period ended 31-12-16 £
Sale of goods and associated services	<u>3,555,574</u>	<u>4,114,550</u>
By geographical market:		
UK	<u>3,555,574</u>	<u>4,114,550</u>
4 Operating profit	Year ended 31-12-17 £	Period ended 31-12-16 £
This is stated after charging:		
Depreciation of owned fixed assets	62,755	102,940
Depreciation of assets held under finance leases and hire purchase contracts	56,136	65,492
Operating lease rentals - land and buildings	96,342	96,188
Auditors' remuneration for audit services	<u>6,050</u>	<u>5,040</u>
5 Directors' emoluments	Year ended 31-12-17 £	Period ended 31-12-16 £
Emoluments	125,055	111,467
Company contributions to defined contribution pension plans	<u>5,113</u>	<u>8,579</u>
	<u>130,168</u>	<u>120,046</u>
Number of directors to whom retirement benefits accrued:	Year ended 31-12-17 Number	Period ended 31-12-16 Number
Defined contribution plans	<u>2</u>	<u>3</u>

Hydra (South West) Limited
Notes to the Accounts
for the year ended 31 December 2017

6 Staff costs	Year ended 31-12-17 £	Period ended 31-12-16 £
Wages and salaries	1,374,885	1,523,439
Social security costs	125,150	136,151
Other pension costs	31,182	34,125
	<u>1,531,217</u>	<u>1,693,715</u>

Average number of employees during the year

	Number	Number
Administration	5	5
Development	1	1
Distribution	3	4
Manufacturing	47	46
Sales	1	1
	<u>57</u>	<u>57</u>

7 Interest payable	Year ended 31-12-17 £	Period ended 31-12-16 £
Bank loans and overdrafts	653	4,902
Finance charges payable under finance leases and hire purchase contracts	8,455	15,342
	<u>9,108</u>	<u>20,244</u>

Hydra (South West) Limited
Notes to the Accounts
for the year ended 31 December 2017

	Year ended 31-12-17 £	Period ended 31-12-16 £
8 Taxation		
Analysis of charge in period		
Current tax:		
Adjustments in respect of previous periods	-	9,128
Deferred tax:		
Origination and reversal of timing differences	34,507	5,724
Tax losses	-	(38,670)
	<u>34,507</u>	<u>(32,946)</u>
		(9,128)
Tax on profit/(loss) on ordinary activities	<u>34,507</u>	<u>(23,818)</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:

	Year ended 31-12-17 £	Period ended 31-12-16 £
Profit on ordinary activities before tax	<u>197,277</u>	<u>1,620,233</u>
Standard rate of corporation tax in the UK	19%	20%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	37,483	324,047
Effects of:		
Expenses not deductible for tax purposes	(5,000)	14,584
Dividends received from subsidiary		(365,000)
Effect of changes in tax rates	2,024	(14,861)
Tax losses not yet utilised		8,284
Tax under provision in previous year	-	9,128
	<u>34,507</u>	<u>(23,818)</u>
Tax on profit/(loss) on ordinary activities		

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 year ended 31 December 2017

9 Tangible fixed assets

	Property improve- ments <i>At cost</i> £	Motor vehicles <i>At cost</i> £	Fixtures, fittings, tools and equipment <i>At cost</i> £	Total £
Cost or valuation				
At 1 January 2017	-	167,985	1,286,910	1,454,895
Additions	9,190	-	540,139	549,329
Disposals	-	(69,511)	(49,035)	(118,546)
At 31 December 2017	9,190	98,474	1,778,014	1,885,678
Depreciation				
At 1 January 2017	-	149,492	936,380	1,085,872
Charge for the year	31	7,735	111,125	118,891
On disposals	-	(68,486)	(49,035)	(117,521)
At 31 December 2017	31	88,741	998,470	1,087,242
Carrying amount				
At 31 December 2017	9,159	9,733	779,544	798,436
At 31 December 2016	-	18,493	350,530	369,023

	Year ended 31-12-17 £	Period ended 31-12-16 £
Carrying value of plant and machinery included above held under finance leases and hire purchase contracts	133,063	189,199
Depreciation of plant and machinery included above held under finance leases and hire purchase contracts	56,136	65,492

10 Investments

	Shares in subsidiary undertakings £	Total £
At 1 January 2017	-	-
Additions	-	-
Disposals	-	-
At 31 December 2017	-	-
	Year ended 31-12-17 £	Period ended 31-12-16 £
Dividends and other distributions from associates included in income	-	1,825,000

Hydra (South West) Limited
Notes to the Accounts
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11 Stocks	Year ended 31-12-17 £	Period ended 31-12-16 £
Raw materials and consumables	861,669	544,682
Work in progress	362,708	232,496
	<u>1,224,377</u>	<u>777,178</u>

The amount of stock recognised as an expense in the profit and loss account during the year was £1,220,567 (2016: £1,761,149 was recognised during the period).

12 Debtors	Year ended 31-12-17 £	Period ended 31-12-16 £
Trade debtors	21,114	42,997
Amounts owed by group undertakings	1,698,324	317,700
Prepayments	78,509	33,911
Other debtors	99,967	86,773
	<u>1,897,914</u>	<u>481,381</u>

Included within 'other debtors' is a balance of £85,345 (2016: £85,345) relating to legal fees paid 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.

13 Creditors: amounts falling due within one year	Year ended 31-12-17 £	Period ended 31-12-16 £
Obligations under finance lease and hire purchase contracts	60,679	57,476
Trade creditors	296,363	140,485
Amounts owed to group undertakings	2,924,884	761,574
Other taxes and social security costs	126,885	98,848
Other creditors	131,984	140,588
Accruals and deferred income	12,662	11,031
	<u>3,553,457</u>	<u>1,210,002</u>

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.

The company, and two group companies, namely Eliquo Hydrok Limited and Hydra Holdings 2015 Limited have together provided a cross guarantee and debenture to Barclays Bank plc in respect of any loans or overdrafts any group company may hold with Barclays Bank plc.

Hydra (South West) Limited
Notes to the Accounts
for the year ended 31 December 2017

		Year ended 31-12-17 £	Period ended 31-12-16 £
14 Financial Assets and Liabilities			
Carrying amount of financial assets			
Cash measured at amortised cost (incl. investments)		171,976	2,435
Debtors measured at amortised cost		<u>1,897,914</u>	<u>481,381</u>
		2,069,890	483,816
Carrying amount of financial liabilities			
Loans and overdrafts measured at amortised cost		-	-
Creditors measured at amortised cost		3,410,046	1,115,198
Hire Purchase agreements measured at amortised cost		<u>106,351</u>	<u>163,827</u>
		3,516,397	1,279,025
		Year ended 31-12-17 £	Period ended 31-12-16 £
15 Creditors: amounts falling due after one year			
Obligations under finance lease and hire purchase contracts		45,672	106,351
Other creditors		<u>44,153</u>	<u>61,520</u>
		89,825	167,871
		Year ended 31-12-17 £	Period ended 31-12-16 £
16 Obligations under finance leases and hire purchase contracts			
Amounts payable:			
Within one year		60,679	57,476
Within two to five years		<u>45,672</u>	<u>106,351</u>
		106,351	163,827
		Accelerated capital allowances	Total
17 Deferred taxation			
Balance brought forward 1 January 2017		<u>73,809</u>	<u>66,203</u>
		Year ended 31-12-17 £	Period ended 31-12-16 £
At 1 January		31,696	64,642
Charged/(credited) to the profit and loss account		34,507	(32,946)
At 31 December		<u>66,203</u>	<u>31,696</u>

Hydra (South West) Limited
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18 Share capital	Nominal value	2017 Number	Year ended 31-12-17 £	Period ended 31-12-16 £
Allotted, called up and fully paid: Ordinary shares	£1 each	1,325	1,325	1,325

19 Share premium	Year ended 31-12-17 £	Period ended 31-12-16 £
At 1 January	-	552,106
Transferred to profit and loss account	-	(552,106)
At 31 December	-	-

Under the provisions of chapter 10, part 17 of the Companies Act 2006, the Company undertook a reduction in share capital during the previous period and thus reduced the Share Premium account to £nil, (2016: £nil).

20 Other reserves	Year ended 31-12-17 £	Period ended 31-12-16 £
Capital redemption reserve		
At 1 January	323	226
Transfer to reserve on purchase of own shares	-	97
At 31 December	323	323

21 Profit and loss account	Year ended 31-12-17 £	Period ended 31-12-16 £
At 1 January	218,800	507,820
Profit for the financial year	162,770	1,644,051
Dividends (note 22)	-	(2,485,177)
From share premium account	-	552,106
At 31 December	381,570	218,800

Hydra (South West) Limited
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	Year ended 31-12-17 £	Period ended 31-12-16 £
22 Dividends		
Dividends on ordinary shares (note 21)	-	2,485,177

23 Other financial commitments

Total future minimum lease payments under non-cancellable operating leases:

	Land and buildings 2017 £	Land and buildings 2016 £	Other 2017 £	Other 2016 £
Falling due:				
within one year	-	-	4,033	4,394
within two to five years	-	-	4,394	7,852
	-	-	8,427	12,246

24 Related party transactions

During the year key management compensation totalled £326,615 (period ended 2016: £176,353)

Included within 'other debtors' is a balance of £85,345 (2016: £85,345) relating to legal fees paid 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.

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.

25 Controlling party

The immediate parent company is Hydra Holdings 2015 Limited, a company incorporated in England and Wales, which holds 100% of the share capital of Hydra (South West) Limited. 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.