

Registrar's Copy

Pirtek (UK) Limited

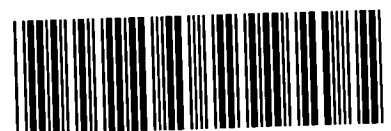
Report and Financial Statements

Year ended

31 March 2018

Company Number 02301810

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Pirtek (UK) Limited

Report and financial statements for the year ended 31 March 2018

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Legal form

Private company limited by shares

Country of incorporation

England and Wales

Directors

P J Dunlop
K Hardy
S R Martin
A S McNutt
A J Richards
D Seetahul
C Stuckey (appointed 18 April 2017)

Company secretary

A J Richards

Company number

02301810

Registered office

c/o Squire Patton Boggs, Rutland House, 148 Edmund Street, Birmingham, B3 2JR

Independent auditors

BDO LLP, Level 12, Thames Tower, Station Road, Reading RG1 1LX

Pirtek (UK) Limited

Strategic Report for the year ended 31 March 2018

C Stuckey joined the business as Managing Director on 18 April 2017.

Financial Review

Pirtek has continued with the same strategy and operational focus which has seen us grow over the past few years. The company operates a franchise business throughout the United Kingdom and Ireland. Primary profits are obtained through the supply of hydraulic hoses, fittings and ancillary products. The principal activity of the franchise network itself is the delivery of time sensitive on-site hose replacement services.

During the year the UK franchise network made sales of £62.6m (2017 - £61.8m).

Key performance indicators

The Company uses a range of performance measures to monitor and manage the business effectively. The most significant of these are the financial key performance indicators (KPIs).

The KPIs are turnover, gross profit and earnings before interest, tax, depreciation and amortisation (EBITDA). These KPIs indicate the volume and the profitability of work the company has undertaken.

The KPIs for the year ended 31 March 2018, with comparatives for the year ended 31 March 2017, are set out below:

	2018	2017
Turnover (£'000)	17,276	16,739
Gross profit (£'000)	11,649	11,546
Gross profit (%)	67.4%	69.0%
EBITDA (£'000)	4,808	4,660

Business performance has continued to improve during the year. Over the recent years, the Directors introduced a number of initiatives aimed at increasing sales and driving improvements in operational performance across the Company's activities, these initiatives are bearing fruit with an increasing number of mobile service units in key markets and new service centres opened.

Business environment

The emergency hydraulic hose replacement market across the United Kingdom and Ireland is diverse due to the wide range of industries demanding the service. The demand for a time-sensitive maintenance solution is of greater importance in sectors with high labour costs, well-evolved customer service standards and where equipment downtime costs greatly outweigh the Pirtek repair costs.

Therefore, the core offering of the Pirtek solution is:

- 1 Rapid response - aim within 1 hour;
- 2 Quality product - hoses and fittings usually required for high value capital items;
- 3 Nationwide support - ability to resolve problems across a clear geographical area; and
- 4 Range - having the appropriate product items available at very short notice.

Strategy

A mature network is in place which results in the need to maximise revenues per franchise location by adding products and services wherever possible.

Pirtek (UK) Limited

Strategic Report for the year ended 31 March 2018 (continued)

Principal risks and uncertainties

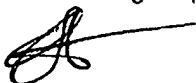
The company is exposed to the general health of the construction industry. However, the company has been successful in working with the franchise network to diversify the customer base and reduce the dependence on the construction sector.

The company is exposed to the health of the UK economy and therefore uncertainties concerning business activity in the UK could have an effect on its business. Management consider the effect of the UK decision to exit the EU as a risk, however the implications of EU referendum outcome remain uncertain. However, we welcome the potential transitional arrangements and believe these will reduce risk in the short term.

For further information on the financial risks see the Directors' report.

Approved

This strategic report was approved on behalf of the Board on 30 August 2018



**C Stuckey
Director**

Pirtek (UK) Limited

Directors' Report for the year ended 31 March 2018

The directors present their report together with the strategic report and audited financial statements for the year ended 31 March 2018.

Results and dividends

The statement of comprehensive income is set out on page 9 and shows the profit for the year (2017 - profit). A dividend of £1,066,797 was declared and settled on 29 June 2017 and is included in these financial statements. During the prior year, a dividend of £33,601,571 was declared and settled on 31 March 2017.

Financial risk management objectives and policies

The company has been exposed to the general health of the construction industry. However, the company has a varied customer base including material handling, environmental services, transport and logistics as well as customers in other sections.

As the business continues to implement its strategy in line with its strategic business plan, it is essential that it maintains sufficient working capital. Profit and loss forecasts and cash flow projections are produced and reviewed by the Board in order to ensure that the working capital position is actively managed and that sufficient cash headroom exists for the business for at least a forward-looking twelve-month period.

The company is exposed to a number of financial risks, which are described in more detail below. The main risks arising from the financial instruments are currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Currency risk

The company has exposure to foreign exchange risk relating to the purchase of stock from Europe, which it manages through forward planning of purchasing and assessing on-going exposure to movements in foreign exchange.

Credit risk

The company's principal credit risk relates to the recovery of amounts owed by trade debtors. In order to manage credit risk, debt aging and collection history are reviewed on a regular basis. Debts are actively pursued by the credit control department.

Liquidity risk

Current and projected working capital demand is reviewed in conjunction with existing financing facilities to determine cash requirements as part of the routine reporting process.

Qualifying third party indemnity provisions

The company has arranged qualifying third party indemnity for all of its directors.

Pirtek (UK) Limited

Directors' Report for the year ended 31 March 2018 (continued)

Directors

The directors of the company during the year were:

P J Dunlop
K Hardy
S R Martin
A S McNutt
A J Richards
D Seetahul
C Stuckey (appointed 18 April 2017)
A Wiggins (resigned 4 July 2017)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 accounting estimates that are reasonable and prudent;
- 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.

Pirtek (UK) Limited

Directors' Report for the year ended 31 March 2018 *(continued)*

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed.

On behalf of the Board



C Stuckey
Director

Date 30 August 2018

Pirtek (UK) Limited

Independent auditor's report to the members of Pirtek (UK) Limited

TO THE MEMBERS OF PIRTEK (UK) LIMITED

Opinion

We have audited the financial statements of Pirtek (UK) Limited ("the Company") for the year ended 31 March 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. 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 March 2018 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.

Pirtek (UK) Limited

Independent auditor's report to the members of Pirtek (UK) Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's 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.

Pirtek (UK) Limited

Independent auditor's report to the members of Pirtek (UK) Limited

Responsibilities of Directors

As explained more fully in the directors' report, 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 determines 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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Simon Brooker (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom

Date 30 August 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Pirtek (UK) Limited

Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	3	17,276,214	16,738,767
Cost of sales		(5,627,331)	(5,192,653)
Gross profit		11,648,883	11,546,114
Administration expenses		(7,219,847)	(7,355,386)
Other operating income		220,171	220,196
Operating profit	4	4,649,207	4,410,924
Other interest receivable and similar income	7	596,662	448,877
Interest payable and similar charges	8	(795,776)	(6,668)
Profit on ordinary activities before taxation		4,450,093	4,853,133
Taxation on profit on ordinary activities	9	(53,742)	44,641
Profit for the year		4,396,351	4,897,774
Total comprehensive income for the year		4,396,351	4,897,774

All amounts relate to continuing activities.

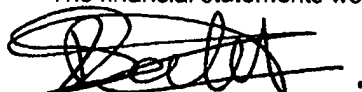
The notes on pages 12 to 24 form part of these financial statements.

Pirtek (UK) Limited

Balance sheet at 31 March 2018

Company number 02301810	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible fixed assets	11		279,520		346,057
Investments	12		1		1
			<hr/>		<hr/>
			279,521		346,058
Current assets					
Stocks	13	1,466,272		1,126,022	
Debtors	14	20,781,504		16,733,808	
Cash at bank and in hand		714,157		677,394	
		<hr/>		<hr/>	
		22,961,933		18,537,224	
Creditors: amounts falling due within one year	15	(18,524,209)		(17,500,090)	
		<hr/>		<hr/>	
Net current assets			4,437,724		1,037,134
Provisions for liabilities	16		(4,499)		-
			<hr/>		<hr/>
Net assets			4,712,746		1,383,192
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	18	150,000		150,000	
Profit and loss account		4,562,746		1,233,192	
		<hr/>		<hr/>	
Shareholders' funds			4,712,746		1,383,192
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 30 August 2018


D Seetahul
Director

The notes on pages 12 to 24 form part of these financial statements.

Pirtek (UK) Limited

Statement of changes in equity for the year ended 31 March 2018

	Note	Share capital £	Profit and loss account £	Total equity £
At 1 April 2017		150,000	1,233,192	1,383,192
Comprehensive income for the year				
Profit for the year		-	4,396,351	4,396,351
Contributions by and distributions to owner				
Dividends	10	-	(1,066,797)	(1,066,797)
At 31 March 2018		<u>150,000</u>	<u>4,562,746</u>	<u>4,712,746</u>

Statement of changes in equity for the year ended 31 March 2017

	Note	Share capital £	Profit and loss account £	Total equity £
At 1 April 2016		150,000	29,936,989	30,086,989
Comprehensive income for the year				
Profit for the year		-	4,897,774	4,897,774
Contributions by and distributions to owner				
Dividends	10	-	(33,601,571)	(33,601,571)
At 31 March 2017		<u>150,000</u>	<u>1,233,192</u>	<u>1,383,192</u>

The notes on pages 12 to 24 form part of these financial statements.

Pirtek (UK) Limited

Notes forming part of the financial statements for the year ended 31 March 2018

1 Accounting policies

Basis of preparation of financial statements

Pirtek (UK) Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on the contents page. The nature of the company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

Consolidated financial statements

The financial statements contain information about Pirtek (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the consolidated financial statements of its ultimate parent company, Fast Pressure I Limited. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Financial reporting standard 102 – Reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 for qualifying entities:

- Section 3 Financial Statement Presentation paragraph 3.17(d) and Section 7 Statement of Cash Flows not to prepare a statement of cash flows;
- Section 4 Statement of Financial Position paragraph 4.12(a)(iv) not to prepare a reconciliation of the number of shares outstanding at the beginning and end of the year; and
- Section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation in total.

The company's shareholders have been notified in writing about, and do not object to the use of, the disclosure exemptions. The company's results are included in the publicly available consolidated financial statements of Fast Pressure I Limited and these financial statements may be obtained from Companies House.

The following principal accounting policies have been applied:

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, and is stated net of value added tax.

Tangible Fixed Assets

Tangible fixed assets 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.

Pirtek (UK) Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

1 Accounting policies (continued)

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Leasehold improvements, fixtures and fittings	-	5 years straight line
IT systems and office equipment	-	5 years straight line
Plant and machinery	-	5 years straight line
Motor vehicles	-	5 years straight line

Valuation of investments

Investments held as fixed assets are stated at cost less accumulated impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Cost is based on the cost of bringing each product to its present location and condition on an average cost basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Finance lease arrangements

Assets obtained under finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

Pirtek (UK) Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

1 Accounting policies (continued)

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not discounted.

Foreign currencies

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Financial assets

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Pirtek (UK) Limited

Notes forming part of the financial statements for the year ended 31 March 2018 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing the financial statements the directors have made the following judgements:

- Determined whether leases entered into by the company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 11)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Stock (see note 13)*

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. In calculating net realisable value, the directors apply a stock provision; stock that hasn't been sold in the last 12 months (and is therefore old) is provided for on a 100% basis. Any stock which is not expected to be sold within one year, based on sales history, is provided for on a 75% basis.

- *Trade debtors' impairment loss (see note 14)*

Trade debtors are reviewed for impairment loss and provision made for any balances where there is uncertainty against the recoverability of the balance. This methodology is applied on a customer by customer basis.

- *Creditors, provisions and liabilities (see note 15)*

Liabilities are recognised at the balance sheet date and include amounts for accrued holiday pay and bonuses. Although these amounts are reviewed on a regular basis and adjusted to reflect management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

Pirtek (UK) Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

3 Analysis of turnover

Analysis of turnover by country of destination is as follows:

	2018 £	2017 £
United Kingdom	16,233,320	15,756,425
Overseas (including Republic of Ireland)	1,042,894	982,342
	<u>17,276,214</u>	<u>16,738,767</u>

An analysis of turnover by business segment is as follows:

	2018 £	2017 £
Sales of goods	15,497,253	15,147,918
Rendering of services	1,778,961	1,590,849
	<u>17,276,214</u>	<u>16,738,767</u>

4 Operating profit

	2018 £	2017 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	158,417	248,735
Inventory recognised as an expense	4,733,277	4,401,003
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	35,341	43,074
Fees payable to the company's auditor and its associates for other services to the company:		
- Taxation compliance services	28,609	38,484
Exchange differences	(19,197)	93,580
Operating lease expense:		
- land and buildings	123,800	110,729
- plant and machinery	139,806	156,533
	<u></u>	<u></u>

5 Employees

	2018 £	2017 £
Staff costs (including directors) consist of:		
Wages and salaries	2,437,374	2,453,454
Social security costs	334,418	318,562
Cost of defined contribution scheme	79,862	69,946
	<u>2,851,654</u>	<u>2,841,962</u>

Pirtek (UK) Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 *(continued)*

5 Employees *(continued)*

The average number of employees (including directors) during the year was:

	Number	Number
Administrative staff	59	54

6 Directors

	2018 £	2017 £
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Directors' remuneration consists of:

Directors' emoluments	725,862	556,420
Company contributions to money purchase pension schemes	32,452	23,740
	<u>758,314</u>	<u>580,160</u>

Highest paid director

Emoluments	157,550	144,425
Company contributions to money purchase schemes	5,312	5,315
	<u>162,862</u>	<u>149,740</u>

The number of directors who are accruing benefits under pension schemes were as follows:

	2018 Number	2017 Number
Money purchase schemes	6	5

7 Other interest receivable and similar income

	2018 £	2017 £
Income and interest derived from group undertakings	596,662	448,877

8 Interest payable and similar charges

	2018 £	2017 £
Other interest payable	795,776	6,668

Pirtek (UK) Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (*continued*)

9 Taxation on profit on ordinary activities

	2018 £	2017 £
<i>UK corporation tax</i>		
Current tax on profits of the year	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	31,875	(44,897)
Adjustments in respect of prior periods	21,867	-
Effect of tax rate change on opening balance	-	256
	<hr/>	<hr/>
Taxation on profit on ordinary activities	53,742	(44,641)
	<hr/>	<hr/>

Reconciliation of current tax charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	4,450,093	4,853,133
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 - 20%)	845,518	970,627
Effects of:		
Group relief received	(29,859)	(301,944)
Expenses not deductible for tax purposes	5,486	21,121
Transfer pricing adjustment	(787,254)	(746,941)
Depreciation of assets not eligible for capital allowances	1,735	4,317
Adjustments to tax charge in respect of prior periods – deferred tax	21,867	-
Adjust closing deferred tax to average rate of 19%	(529)	8,690
Adjust opening deferred tax to average rate of 19%	(3,222)	(511)
	<hr/>	<hr/>
Current tax charge / (credit) for the year	53,742	(44,641)
	<hr/>	<hr/>

10 Dividends

	2018 £	2017 £
Ordinary shares		
Interim dividend paid £7.11 (2017 – £224.01) per share	1,066,797	33,601,571
	<hr/>	<hr/>

Pirtek (UK) Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

11 Tangible assets

	Leasehold improvements, fixtures and fittings £	IT systems and office equipment £	Plant and machinery £	Motor vehicles £	Total £
Cost					
At 1 April 2017	274,300	1,340,494	70,718	19,000	1,704,512
Additions	10,567	72,466	14,190	-	97,223
Disposals	(222)	(132,534)	(163)	(19,000)	(151,919)
At 31 March 2018	284,645	1,280,426	84,745	-	1,649,816
Depreciation					
At 1 April 2017	160,919	1,144,467	41,839	11,230	1,358,455
Charge for the year	49,843	92,715	14,389	1,470	158,417
Eliminated on disposal	(1,179)	(132,534)	(163)	(12,700)	(146,576)
At 31 March 2018	209,583	1,104,648	56,065	-	1,370,296
Net book value					
At 31 March 2018	75,062	175,778	28,680	-	279,520
At 31 March 2017	113,381	196,027	28,879	7,770	346,057

Pirtek (UK) Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 *(continued)*

12 Principal fixed asset investments	£
<i>Cost</i>	
At 1 April 2017	1
Disposal	-
	<hr/>
At 31 March 2018	1
	<hr/>

The company holds the majority of the share capital of the following:

	Country of Incorporation	Class of Share	% of share capital held	Nature of Business
Penrith Hydraulics Limited	United Kingdom	Ordinary	100%	Non-trading

Penrith Hydraulics Limited's registered address is c/o Squire Patton Boggs, Rutland House, 148 Edmund Street, Birmingham, B3 2JR.

Penrith Hydraulics Limited sold its stock and assets on 3 April 2017 to a Pirtek franchisee and ceased trading from that date.

13 Stock	2018	2017
	£	£
Finished goods and goods for resale	1,466,272	1,126,022
	<hr/>	<hr/>

The difference between purchase price of stocks and their replacement cost is not material.

Pirtek (UK) Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

14 Debtors

	2018 £	2017 £
Trade debtors	5,838,320	4,838,058
Amounts owed by group undertakings	13,907,284	10,888,436
Other debtors	532,120	415,155
Prepayments and accrued income	503,780	542,916
Deferred tax asset (note 16)	-	49,243
	<u>20,781,504</u>	<u>16,733,808</u>

All debtors shown under debtors fall due for payment within one year except:

New loans issued to UK franchise of £406,405 (2017 - £111,814). Total loans issued to UK Franchises amounted to £539,790 (2017 - £278,082) at 31st March 2018, included within the trade debtors.

15 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,452,736	1,460,390
Amounts owed to group undertakings	15,243,873	14,235,905
Taxation and social security	420,098	642,768
Other creditors	281,297	1,365
Accruals and deferred income	1,126,205	1,159,662
	<u>18,524,209</u>	<u>17,500,090</u>

16 Deferred tax liability

Where deferred tax is a liability, it is recognised as a provision. Where deferred tax is an asset it is recognised within debtors (see note 14). The movement on deferred tax is shown below:

	2018 £	2017 £
Deferred tax asset at 1 April	49,243	4,602
Charged to profit and loss account	(53,742)	44,641
	<u>(4,499)</u>	<u>49,243</u>
Deferred tax (liability) / asset at 31 March	(4,499)	49,243
Deferred tax is analysed as follows:		
	2018 £	2017 £
Accelerated capital allowances	(7,323)	14,544
Short term timing differences	2,824	34,699
	<u>(4,499)</u>	<u>49,243</u>

Pirtek (UK) Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

17 Financial instruments

The company's financial instruments may be analysed as follows:

	2018 £	2017 £
Financial assets		
Financial assets that are equity instruments measured at cost less impairment	1	1
Financial assets that are debt instruments measured at amortised cost	20,442,807	16,300,952
Financial assets that are cash and cash equivalents	714,157	677,394
	<u>21,156,965</u>	<u>16,978,347</u>
Financial liabilities		
Financial liabilities measured at amortised cost	18,104,111	16,857,322
	<u>18,104,111</u>	<u>16,857,322</u>

Financial assets that are equity instruments measured at cost less impairment comprise fixed asset investments in unlisted company shares.

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by group undertakings and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, amounts owed to group undertakings and accruals.

The company's exposure to and management of currency risk, credit risk and liquidity risk is as follows:

Currency risk

The company has exposure to foreign exchange risk relating to the purchase of stock from Europe, which it manages through forward planning of purchasing and assessing on-going exposure to movements in foreign exchange.

Credit risk

The company's principal credit risk relates to the recovery of amounts owed by trade debtors. In order to manage credit risk, debt aging and collection history are reviewed on a regular basis. Debts are actively pursued by the credit control department.

Liquidity risk

Current and projected working capital demand is reviewed in conjunction with existing financing facilities to determine cash requirements as part of the routine reporting process.

Pirtek (UK) Limited

Notes forming part of the financial statements
for the year ended 31 March 2018 (continued)

18 Share capital

	2018 Number	Allotted, called up and fully paid		2017 £
		2017 Number	2018 £	2017 £
Ordinary shares of £1 each	150,000	150,000	150,000	150,000

19 Commitments under operating leases

As at 31 March 2018, the company had minimum lease payments under non-cancellable operating leases as set out below:

	2018 Land and buildings £	2018 Other £	2017 Land and buildings £	2017 Other £
Not later than 1 year	66,183	102,901	123,730	63,509
Later than 1 year and not later than 5 years	113,583	143,782	179,519	23,131
	<u>179,766</u>	<u>246,683</u>	<u>303,249</u>	<u>86,640</u>

20 Contingencies

The company has provided guarantees over bank borrowings and leases on behalf of its franchisees totalling £55,000 (2017 - £55,000).

As at 31 March 2018, the company is party to a cross guarantee in respect of \$22,920,000 (£16,320,137), of borrowings owed by Fast Pressure II Limited to Madison Capital LLC of Chicago, Illinois U.S.A. This will become payable if Fast Pressure II Limited defaults. At the balance sheet date, and at the date that the reports were signed, Fast Pressure II Limited had fulfilled all of its obligations under the terms of the loan. The company does not expect to have to make any payments in respect of this guarantee.

Fast Pressure II Limited is a direct subsidiary of Fast Pressure I Limited (see note 22).

21 Related parties

The company has taken advantage of the exemption under FRS 102 section 33 paragraph 1A from disclosing transactions with wholly owned group entities.

All transactions with related parties were on normal commercial terms.

Pirtek (UK) Limited

**Notes forming part of the financial statements
for the year ended 31 March 2018 *(continued)***

22 Ultimate controlling party and immediate parent company

The immediate parent undertaking of the company is Pirtek Europe Limited. The company is an indirect subsidiary of Fast Pressure I Limited, a company incorporated in the United Kingdom, which is the parent of both the smallest and largest groups in which the company's results are consolidated.

Copies of the consolidated financial statements of Fast Pressure I Limited are available from Companies House.

At 31 March 2018, Halifax Cayman Capital Partners III, L.P. is considered the ultimate controlling party.