

Pirtek Europe Limited

Report and Financial Statements

Year Ended

31 March 2019

Company Number 03232759

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Pirtek Europe Limited

Report and financial statements for the year ended 31 March 2019

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Legal form

Private company limited by shares

Country of incorporation

England and Wales

Directors

K Hardy
A S McNutt
H Overwater
A J Richards
D Seetahul
C Stuckey
M Thiehofe

Company secretary

Reed Smith Corporate Services Limited

Company number

03232759

Registered office

c/o Reed Smith, The Broadgate Tower Third Floor, 20 Primrose Street, London, United Kingdom, EC2A 2RS

Independent auditors

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

Pirtek Europe Limited

Strategic Report for the year ended 31 March 2019

Business Review

Pirtek has continued with the same strategy and operational focus which has seen us grow over the past few years. Pirtek Europe Limited is the intermediate holding company of a group of companies which operate in seven European countries, each subsidiary supporting the network of franchisees in each country through the supply of products and services, except Sweden which operates an owned, and Belgium which operates a mixed, franchised model. The principal activity of the franchise network itself is the delivery of time-sensitive, on-site hose replacement services.

The Company's investments performed well during the year and have added mobile service units and centres across Europe.

Key performance indicators

The Company's principal key performance indicator is the comparison between the carrying value of its investments against the position and performance of these investments.

Management's assessment of the recoverability of the company's investments, based on its subsidiaries' position and current and projected performance, lead to no impairment during the year.

Business environment

The emergency hydraulic hose replacement markets, in the countries in which the operating companies trade, are diverse due to 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 cost of the Pirtek service.

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

Our strategy is dependent on our evolutionary position in each country. In the United Kingdom, Ireland and Netherlands, the group has a mature network in place which results in a need to maximise market opportunities available and create new revenue channels through products and services aligned to our core activities. In Belgium, Germany, Austria and Sweden the group is looking to expand its coverage significantly.

As well as continuing to develop our existing business, the company will actively consider acquisition opportunities, which have the potential to strengthen our position in existing countries or expand into new countries or market sectors.

Pirtek Europe Limited

Strategic Report for the year ended 31 March 2019 *(continued)*

Principal risks and uncertainties

As an intermediate holding company, the principal risk that the company faces is that the carrying value of its investments in its subsidiaries is not fully recoverable.

Management regularly monitor the carrying value of the company's investments against the position and performance of its subsidiaries to ascertain whether there are any indicators for potential impairments.

Should the carrying value of certain investments not be recoverable in full, the company may be unable to pay amounts due to group companies. In these circumstances, the company would seek support from the group headed by Hydraulic Authority I Limited, its ultimate parent company.

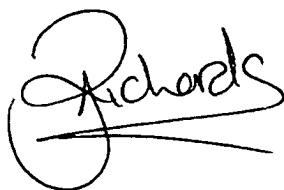
The company is exposed to the health of the UK economy and therefore uncertainties concerning business activity in the UK could have an effect on its business. Management consider the effect of the UK decision to exit the EU as a risk, however the implications of EU referendum outcome remain uncertain.

Approved

This strategic report was approved on behalf of the Board on 5 November 2019

A J Richards

Director

A handwritten signature in black ink, appearing to read 'A J Richards', with a large, stylized 'R' and a horizontal line extending from the end.

Pirtek Europe Limited

Directors' Report for the year ended 31 March 2019

The directors present their directors' report together with the strategic report and the audited financial statements for the year ended 31 March 2019.

Results and dividends

The statement of comprehensive income is set out on page 9 and shows the profit for the year of £5,080,125 (2018: £1,269,871). As at 1 April 2018, has decided to bring the accounting treatment of its transfer pricing agreement with its UK subsidiary Pirtek (UK) Limited in line with the rest of the group. This resulted in additional management charges receivable by the Company of £4,341,241.

No dividend has been declared or settled during the year (2018: £1,066,797).

The trading results for the year, and the company's financial position at the end of the year, are shown in the attached financial statements. Following a restructuring within the Hydraulic Authority I Group during the year, the company is now a direct subsidiary of Hydraulic Authority III Limited and an indirect subsidiary of Hydraulic Authority I Limited. If required, the group will continue to provide financial support for the business.

Principal activities

The company supplies services to its subsidiaries which operate in seven European countries, each subsidiary supporting the network of franchisees in each country through the supply of products and services, except Sweden which operates an owned model, and Belgium which operates a mixed owned and franchise model. The principal activity of the franchise network itself is the delivery of time-sensitive, on-site hose replacement services.

Financial risk management objectives and policies

The company uses various financial instruments including cash, debtors and creditors that arise directly from its operations.

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below. The main risks arising from the company's financial instruments are credit risk, liquidity risk and currency 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.

Credit risk

The company's principal credit risk relates to the recovery of amounts owed by group companies. In order to manage credit risk, the directors review and discuss outstanding amounts on a regular basis.

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.

Currency risk

The company has exposure to foreign exchange risk due to its investments in companies operating in Europe. The company manages currency risk through forward planning and assessing on-going exposure to movements in foreign exchange.

European Union

The company's investment is exposed to the health of the UK economy and therefore uncertainties concerning business activity could have an effect on its business. The implications of BREXIT remain uncertain and continue to cause fluctuations in currency. The company's subsidiary, Pirtek (UK) Limited purchases a large proportion of its stock in Euros but effects of currency movements on these purchases at a group level are partially offset by the group's profits generated by its other European subsidiaries.

Pirtek Europe Limited

Directors' Report for the year ended 31 March 2019 (*continued*)

Qualifying third party indemnity provisions

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

Directors

The directors of the company during the year were:

K Hardy
A S McNutt
A J Richards
M Thiehofe
H Overwater (Appointed 21 November 2018)
D Seetahul (Appointed 21 November 2018)
C Stuckey (Appointed 21 November 2018)
P J Dunlop (Resigned 21 November 2018)

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;
- 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.

Pirtek Europe Limited

Directors' Report for the year ended 31 March 2019 (*continued*)

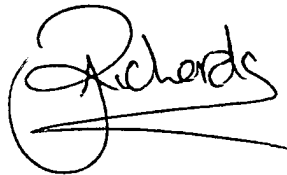
Auditors

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

A J Richards

A handwritten signature in black ink, appearing to read 'A J Richards', with a large circular flourish at the end.

Director

Date 5 November 2019

Pirtek Europe Limited

Independent auditor's report

TO THE MEMBERS OF PIRTEK EUROPE LIMITED

Opinion

We have audited the financial statements of Pirtek Europe Limited ("the Company") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the 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 2019 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 Europe Limited

Independent auditor's report (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 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.

Pirtek Europe Limited

Independent auditor's report *(continued)*

Responsibilities of Directors

As explained more fully in the Responsibilities of Directors, 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 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.

BDO LLP

Jonathan Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading, UK

Date: 5 November 2019

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

Pirtek Europe Limited

Statement of comprehensive income for the year ended 31 March 2019

	Note	2019 £	2018 £
Turnover	3	7,679,001	1,911,282
Administrative expenses		(2,009,595)	(1,038,882)
Operating profit	4	5,669,406	872,400
Other interest receivable and similar income	7	777,943	801,154
Interest payable and similar charges	8	(599,930)	(625,919)
Dividend income	9	-	1,066,797
Profit on ordinary activities before taxation		5,847,419	2,114,432
Taxation on profit on ordinary activities	10	(767,294)	(844,561)
Profit on ordinary activities after taxation		5,080,125	1,269,871
Total comprehensive profit for the year		5,080,125	1,269,871

All amounts relate to continuing activities.

The notes on pages 12 to 22 form part of these financial statements.

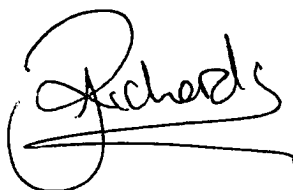
Pirtek Europe Limited

Balance sheet at 31 March 2019

Company number 03232759	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible fixed assets	12		21,321		30,722
Investments	13		12,550,389		12,550,389
			<u>12,571,710</u>		<u>12,581,111</u>
Current assets					
Debtors	14	17,083,800		15,786,063	
Cash at bank		15,743		248,217	
		<u>17,099,543</u>		<u>16,034,280</u>	
Creditors: amounts falling due within one year	15	(11,027,060)		(15,051,323)	
Net current assets			<u>6,072,483</u>		<u>982,957</u>
Net assets			<u>18,644,193</u>		<u>13,564,068</u>
Capital and reserves					
Called up share capital	18		4,565,959		4,565,959
Share premium account			8,771,236		8,771,236
Capital redemption reserve			23,799		23,799
Profit and loss account			5,283,199		203,074
			<u>18,644,193</u>		<u>13,564,068</u>
Shareholders' funds			<u>18,644,193</u>		<u>13,564,068</u>

The financial statements were approved by the Board of Directors and authorised for issue on 5 November 2019

A J Richards
Director



The notes on pages 12 to 22 form part of these financial statements.

Pirtek Europe Limited

Statement of changes in equity for the year ended 31 March 2019

	Note	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 April 2018		4,565,959	8,771,236	23,799	203,074	13,564,068
Comprehensive income for the year						
Profit for the year		-	-	-	5,080,125	5,080,125
At 31 March 2019		4,565,959	8,771,236	23,799	5,283,199	18,644,193

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

	Note	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 April 2017		4,565,959	8,771,236	23,799	(369,226)	12,991,768
Comprehensive income for the year						
Profit for the year		-	-	-	1,269,871	1,269,871
Contributions by and distributions to owner						
Dividends	11	-	-	-	(697,571)	(697,571)
At 31 March 2018		4,565,959	8,771,236	23,799	203,074	13,564,068

The notes on pages 12 to 22 form part of these financial statements.

Pirtek Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019

1 Accounting policies

Basis of preparation of financial statements

Pirtek Europe 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 Europe 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, Hydraulic Authority I Limited. These financial statements therefore present information about the company as an individual undertaking and not about its group.

FRS 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 Hydraulic Authority I Limited and these financial statements may be obtained from Companies House.

The following principal accounting policies have been applied:

Turnover

Turnover represents management charges to subsidiary undertakings 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 Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (*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:

Fixtures and fittings	- 5 years straight line
Plant and machinery	- 5 years straight line
IT systems	- 5 years straight line

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

Pension costs

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

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.

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 and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not discounted.

Financial assets

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

Pirtek Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (*continued*)

1 Accounting policies (*continued*)

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.

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 identified the following key sources of estimation uncertainty:

- *Investments (see note 13)*

Determine whether there are indicators of impairment of the company's investments. Factors taken into consideration in reaching such a decision include the expected future financial performance of the asset.

- *Creditors and liabilities (see note 15)*

Liabilities are recognised at the balance sheet date and include amounts for accrued holiday pay, bonuses and legal costs. 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 Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

3 Analysis of turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

Analysis of turnover by destination is as follows:

	2019 £	2018 £
United Kingdom	4,341,241	-
Rest of Europe	3,337,760	1,911,282
	<u>7,679,001</u>	<u>1,911,282</u>

All turnover arises from management charges to the company's UK and European subsidiary undertakings.

4 Operating profit

	2019 £	2018 £
This has been arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	12,516	13,252
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	15,483	33,125
Fees payable to the company's auditor and its associates for other services to the group:		
- Non audit services	17,852	5,000
Exchange differences (gain) /loss	(41,335)	47,580
	<u></u>	<u></u>

5 Employees

	2019 £	2018 £
Staff costs (including directors) consist of:		
Wages and salaries	1,453,464	549,256
Social security costs	197,842	70,982
Other pension costs	19,183	12,359
	<u>1,670,489</u>	<u>632,597</u>

The average number of employees (including directors) during the year was 3 (2018 - 2).

Pirtek Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

6 Directors

	2019 £	2018 £
Directors' remuneration consists of:		
Emoluments	1,453,464	549,256
Company contributions to money purchase pension schemes	19,183	12,359
	<u>1,472,647</u>	<u>561,615</u>
<i>Highest paid director</i>		
Emoluments	<u>915,112</u>	<u>382,428</u>

There were 2 directors (2018 - 1 director) who accrued benefits under money purchase pension schemes during the year. Employees in the year were 3 directors (2018 - 2 directors).

7 Other interest receivable and similar income

	2019 £	2018 £
Amount receivable from group undertakings	<u>777,943</u>	<u>801,154</u>

8 Interest payable and similar charges

	2019 £	2018 £
Amount payable to group undertakings	<u>599,930</u>	<u>625,919</u>

9 Income from investments

	2019 £	2018 £
Dividend income from fixed asset investments	<u>-</u>	<u>1,066,797</u>

Pirtek Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

10 Taxation on profit from ordinary activities

	2019 £	2018 £
<i>UK corporation tax</i>		
Current tax on profit for the year	765,088	869,683
Adjustments in respect of prior years	1,519	(255,277)
	<hr/> 766,607	<hr/> 614,406
Double taxation relief	(340,207)	(162,462)
	<hr/> 426,400	<hr/> 451,944
After double taxation relief		
Foreign taxation	340,207	162,462
Adjustments in respect of prior periods (foreign tax)	-	227,320
	<hr/> 766,607	<hr/> 841,726
Total current tax		
<i>Deferred tax</i>		
Origination and reversal of timing differences	687	(1,335)
Effect of tax rate change on opening balance	-	4,170
	<hr/> 767,294	<hr/> 844,561
Taxation on profit from ordinary activities		

At 31 March 2019, there was no unrecognised deferred tax asset (2018 - £Nil).

Reconciliation of current tax charge

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

	2019 £	2018 £
Profit on ordinary activities before tax	<hr/> 5,847,419	<hr/> 2,114,432
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,111,010	401,742
Effects of:		
Expenses not deductible for tax purposes	160,864	4,059
Group income	-	(202,691)
Transfer pricing adjustments	-	787,254
Group relief received	(506,018)	(122,174)
Adjustment to tax change in respect of previous periods	1,519	(27,957)
Adjust closing deferred tax to average rate of 19%	-	4,170
Adjust opening deferred tax to average rate of 19%	1,159	1,239
Deferred tax not recognised	(1,240)	(1,081)
	<hr/> 767,294	<hr/> 844,561
Current tax charge for year		

Pirtek Europe Limited

Notes forming part of the financial statements
for the year ended 31 March 2019 *(continued)*

11 Dividends

	2019 £	2018 £
Ordinary shares		
Interim dividend paid £ Nil per share (2018 – £0.15 per share)	-	697,571

12 Tangible assets

	Fixtures and fittings £	Plant and machinery £	IT Systems £	Total £
<i>Cost</i>				
At 1 April 2018	323	575	510,066	510,964
Additions	-	-	3,115	3,115
Disposal	-	-	(13,470)	(13,470)
At 31 March 2019	323	575	499,711	500,609
<i>Depreciation</i>				
At 1 April 2018	323	575	479,344	480,242
Charge for the year	-	-	12,516	12,516
Eliminated on disposal	-	-	(13,470)	(13,470)
At 31 March 2019	323	575	478,390	479,288
<i>Net book value</i>				
At 31 March 2019	-	-	21,321	21,321
At 31 March 2018	-	-	30,722	30,722

There are no assets held under finance leases or hire purchase contracts.

13 Investments

	2019 £	2018 £
<i>Cost</i>		
At 1 April	12,550,389	9,170,580
Additions	-	3,379,809
At 31 March	12,550,389	12,550,389

Pirtek Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

13 Investments - continued

Principal investments

The company holds the share capital of the following:

	Country of Incorporation	Class of share	% of share capital held	Nature of business
Directly owned				
Pirtek (UK) Limited	United Kingdom	Ordinary	100%	Trading
Pirtek Deutschland GmbH	Germany	Ordinary	100%	Trading
Pirtek Austria GmbH	Austria	Ordinary	100%	Trading
Pirtek BV	The Netherlands	Ordinary	100%	Trading
Pirtek Sweden AB	Sweden	Ordinary	100%	Trading
Indirectly owned				
Pirtek Belgium bvba	Belgium	Ordinary	100%	Trading
Pirtek Brussel bvba	Belgium	Ordinary	100%	Trading
Pirtek Sweden Franchise AB	Sweden	Ordinary	100%	Non-trading
Penrith Hydraulics Limited	United Kingdom	Ordinary	100%	Non-Trading

All trading businesses are involved in the distribution of hydraulic hoses and associated fittings. Penrith Hydraulics Limited was dissolved on 23 April 2019.

On the 31 December 2018, Pirtek Austria GmbH disposed of its 55% investment in Culleus GmbH to its minority shareholder.

The registered office of each of the company's subsidiaries is as follows:

Pirtek (UK) Limited	c/o Reed Smith, The Broadgate Tower Third Floor, 20 Primrose Street, London, United Kingdom, EC2A 2RS
Pirtek (Deutschland) GmbH	Maarweg 165, 50825 Köln, Germany
Pirtek Austria GmbH	C/o Hasperger Setiz & Partner, Gonzagagasse 4, 1010 Wien, Austria
Pirtek BV	Hongkongstraat 29, 3047 BR Rotterdam, The Netherlands
Pirtek Sweden AB	Box 90, 182 07 Stocksund, Sweden
Pirtek Belgium bvba	Floralienlaan 21, 2600 Antwerpen, Belgium
Pirtek Brussel bvba	Avenue Newton 7, 1300 Wavre, Belgium
Pirtek Sweden Franchise AB	Box 90, 182 07 Stocksund, Sweden
Penrith Hydraulics Limited	c/o Reed Smith, The Broadgate Tower Third Floor, 20 Primrose Street, London, United Kingdom, EC2A 2RS

14 Debtors

	2019 £	2018 £
Amounts due from group companies	16,625,399	15,466,030
Taxation and social security	85,151	12,969
Other debtors	151,141	85,677
Prepayments	212,261	210,852
Deferred tax asset (note 16)	9,848	10,535
	<hr/>	<hr/>
	17,083,800	15,786,063
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

Pirtek Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

15 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	118,960	22,674
Amounts due to group companies	10,333,993	14,407,085
Taxation and social security	85,151	-
Accruals	350,655	310,471
Corporation tax liability	138,301	311,093
	<u>11,027,060</u>	<u>15,051,323</u>

16 Deferred tax asset

The deferred tax asset is recognised as follows:

	2019 £	2018 £
At 1 April	10,535	13,370
Charged to profit and loss account	(687)	(2,835)
	<u>9,848</u>	<u>10,535</u>
At 31 March	9,848	10,535

The deferred tax asset is analysed as follows:

	2019 £	2018 £
Accelerated capital allowances	6,788	7,475
Short term timing differences	3,060	3,060
	<u>9,848</u>	<u>10,535</u>
At 31 March	9,848	10,535

Pirtek Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

17 Financial instruments

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

	2019 £	2018 £
Financial assets		
Financial assets that are equity instruments measured at cost less impairment	12,550,389	12,550,389
Financial assets that are debt instruments measured at amortised cost	16,776,540	15,551,707
Financial assets that cash and cash equivalents	15,743	248,217
	<u>29,342,672</u>	<u>28,350,313</u>
Financial liabilities		
Financial liabilities measured at amortised cost	10,803,608	14,740,230
	<u>10,803,608</u>	<u>14,740,230</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 other debtors and amounts due from group companies.

Financial liabilities measured at amortised cost comprise trade creditors, ~~other creditors~~, amounts due to group companies and accruals.

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

Credit risk

The company's principal credit risk relates to the recovery of amounts owed by group companies. In order to manage credit risk, the directors review and discuss outstanding amounts on a regular basis.

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.

Currency risk

The company has exposure to foreign exchange risk due to its investments in companies operating in Europe. The company manages currency risk through forward planning and assessing on-going exposure to movements in foreign exchange.

Pirtek Europe Limited

Notes forming part of the financial statements for the year ended 31 March 2019 (*continued*)

18 Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid.</i>		
3,861,486 (2018 - 3,861,486) 'A' ordinary shares of £1 each	3,861,486	3,861,486
683,473 (2018 - 683,473) 'B' ordinary shares of £1 each	683,473	683,473
	<hr/>	<hr/>
Total ordinary shares	4,544,959	4,544,959
	<hr/>	<hr/>
2,100,000 (2018 - 2,100,000) preference shares of 1 pence each	21,000	21,000
	<hr/>	<hr/>
	4,565,959	4,565,959
	<hr/>	<hr/>

The preference shares are redeemable at a sum equal to the issue price of £0.01 per share. Realisation of these shares will be on the completion of an agreement for the purchase of all the Ordinary shares or the acceptance of an offer as a result of which the offer becomes entitled or bound to acquire any part of such shares, as set out in the Articles of Association adopted by special resolution on 20 December 2002.

All ordinary shares rank *pari passu* except on a winding up where distribution of assets is completed on the basis of a formula as set out in the Articles of Association adopted by special resolution on 20 December 2002.

19 Contingencies

As at 31 March 2019, the company is party to a cross guarantee in respect of £51,150,000 in funded and £3,850,000 unfunded borrowing due from Hydraulic Authority III Limited to Golub Capital LLC, secured by the net assets of its investments in Pirtek Europe Limited and its subsidiaries.

At the balance sheet date, and at the date that the reports were signed, Hydraulic Authority III 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.

Pirtek Europe Limited is a direct subsidiary of Hydraulic Authority III Limited (see note 21).

20 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.

21 Ultimate controlling party and immediate parent company

The company's immediate parent company is Hydraulic Authority III Limited, a company incorporated in the United Kingdom. Hydraulic Authority I Limited, also incorporated in the United Kingdom, is the ultimate parent company and the parent of both the smallest and largest groups of which the company's results are consolidated.

Copies of the consolidated financial statements of Hydraulic Authority I Limited are available from Companies House.

At 31 March 2019, PNC Capital Finance, LLC is considered the ultimate controlling party.