Pirtek Europe Limited

Annual report and financial statements

Registered number 03232759

For the year ended 31 March 2022

Contents

Strategic report

Business overview

Pirtek Europe Limited an intermediate parent company in the Pirtek group of companies ("the Group"), which, following the acquisition of three companies in France, now operates in eight European countries, with subsidiary undertakings supporting a network of franchisees in each country through the supply of products and services except in Sweden and France which operate company owned models, and Belgium with a mixed model. The principal activity of the network itself is the delivery of time-sensitive, on-site hose replacement services.

Pirtek has continued with the same strategy and operational focus which has seen us grow over the recent years.

Performance

Business grew during the year despite Covid restrictions continuing for most of the year in all the countries. Additional centres were opened on a company owned, franchised and acquired basis. The group now operates 208 centres and c800mobile service units. The Group continued to benefit from its broad customer base, with many customers designated as essential during the Covid crisis.

The directors attribute the resilience to the Group's strong competitive position to the following:

- the strength of one-hour mobile service and product offering;
- excellent geographic coverage;
- long term end-customer relationships;
- industry leading staff training;
- strong network of franchisees and dedicated employees.

The company supported its franchisees through the Covid 19 pandemic, helped them focus on supporting the group's end customers and carefully controlled costs and cashflows, which resulted in EBITDA exceeding Covid adjusted expectations for the year. Although uncertainties remain due to both Covid 19 and the war in Ukraine, the directors are optimistic for the prospects of the group given the good performance in the current year.

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 costs 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 are of the highest quality;
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 and future developments

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. In France we are laying the foundations for a national network by investing in systems and people and expect to make further acquisitions.

Strategic report *(continued)*

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.

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.

Principal risks and uncertainties

As the company is party to a cross guarantee in respect of borrowings by Hydraulic Authority III Limited as described in Note 16, its liquidity is intrinsically linked with the performance of the Hydraulic Authority I Limited group of companies (The Group), of which this entity is a member.

The Group proved its resilience during the pandemic and has bounced back strongly despite varying Covid restrictions continuing in all countries during most of the year The directors are confident of the Group's ability to offer excellent service to our customers and expect to see continued improvement in performance this year provided Covid conditions do not worsen and the war in Ukraine does not have more damaging economic impacts than currently anticipated. The Directors note the inflationary pressures in European economies but feel the critical nature of our services mean the business will help to insulate it from any negative impacts. Business with the larger customers who value national coverage and service excellence is particularly strong. The Group continued to focus on cash management and carefully monitored expenditure and remained within its banking covenants throughout the year.

The Group is exposed to the general economic conditions in each of the countries it operates as well as the performance of specific sectors. However, the number of countries, range of sectors as well as the number and varying sizes of end customer provide a good level of overall resilience.

Financial risk

The Group relies on both equity and debt finance to fund the Group's activities. The Group relies on its financial counterparties to provide various facilities such as its term loan and revolving credit facility. Failure of financial counterparties to provide such services could have a material effect on the Group, therefore the debt funding position is closely monitored.

During 2020, the Group started to feel the impact of the coronavirus pandemic which has continued to impact countries and companies across the world to varying degrees. This negatively impacted the operating results of the Group and introduced greater uncertainty regarding the Group's financial projections for trading and liquidity. The countries in which the Group operates experienced lockdowns introduced at different times which lasted for differing periods and had a more severe impact in some countries than others. The effects of the pandemic continued in 2021 but the impact on our business was less severe as the group and its customers adapted to the new situation. The effects of the pandemic have eased greatly but Covid 19 has not disappeared so in the short to medium term the key operating and financial risks to the Group could include:

- reduction in end customer demand and as a result reduction in revenues and cash flows;
- franchisee settlement terms being extended, re-negotiated or certain debts being deemed irrecoverable;
- impact on service delivery from franchisee and own staff absence due to sickness;
- disruption to the supply chain and delivery of product to franchisees and end customers; and
- supplier manufacturing facilities suffering from staff absence due to sickness or having enforced social distancing rules and the resultant impact on product supply.

Management continually monitor the impact of the above challenges with a particular focus on ensuring sufficient products available to meet customer demand for our services,

The directors have reviewed cash flow forecasts prepared by management covering a period of more than 12 months from the date of approval of these financial statements. These cash flow forecasts indicate that in a downside scenario based on a further severely Covid impacted year the group would remain comfortably within its banking covenants and have sufficient funds from its existing facilities to meet its liabilities as they fall due.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

The directors have reviewed cash flow forecasts prepared by management covering a period of more than 12 months from the date of approval of these financial statements. These cash flow forecasts indicate that in a downside scenario based on a further severely Covid impacted year the group would remain comfortably within its banking covenants and have sufficient funds from its existing facilities to meet its liabilities as they fall due.

Currency risk

The Group has exposure to translation and transaction foreign exchange risk, which it manages through forward planning of purchasing and assessing on-going exposure to movements in foreign exchange.

Credit risk

The Group's principal credit risk relates to the recovery of amounts owed by franchisees. In order to manage credit risk, debt ageing and collection history are reviewed on a regular basis. Debts are actively pursued by the credit control departments in each country.

Interest rate risk

The Group's external borrowings attract interest at a rate which combines fixed and variable elements. The variable element of the interest rate is agreed on a regular basis with the lender.

In August 2019, the Group entered into an interest rate cap at 1.669% above LIBOR expiring in June 2024 to protect against the impact of a rise in interest rates. The Cap started with a notional value of £47.5m which reduces by £3m in June and December each year.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

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 rcporting process.

As discussed in the financial risk section, ongoing liquidity is dependent on Group performance following the impact of the coronavirus pandemic and the Directors' ability to take mitigating actions should they be required.

Cash flow risk

The Group's operations are cash generative and not capital intensive. Management continually monitor interest rate and liquidity risk and prepare cash flow forecasts on a regular basis to monitor its ability to repay capital and interest as it falls due.

Approved and signed on behalf of the Board on 6 June 2022.

A J Richards
Director
c/o Addleshaw Goddard LLP
One St Peter's Square
Manchester
England
M2 3DE

Directors' report

The directors present their directors' report together with the strategic report and the audited financial statements for the year ended 31 March 2022.

Results and dividends

The statement of comprehensive income is set out on page 11 and shows the profit for the year of £10,198,040 *(2021: £6,811,936)*.

Dividends of £Nil have been declared or settled during the year *(2021: £Nil)*.

The trading results for the year, and the company's financial position at the end of the year, are shown in the financial statements.

Principal activities

The company supplies services to its subsidiaries which operate in eight European countries, each subsidiary supporting the network of franchisees in each country through the supply of products and services, except Sweden and France which operate 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. The main risks arising from the company's financial instruments are credit risk, liquidity risk and currency risk. The directors review policies for managing each of these risks and they are discussed in detail in the Strategic Report on pages 1 to 4.

Directors

The directors of the company during the year were:

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

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As the company is party to a cross guarantee in respect of borrowings by Hydraulic Authority III Limited as described in note 18, Its liquidity is intrinsically linked with the performance of the Hydraulic Authority I Limited group of companies (the Group) of which it is a member.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements, which includes modelling severe but plausible downside scenarios, including assuming no growth during 2022-2023. This indicates that the Group will have sufficient funds to meet its liabilities as they fall and continue to operate within its covenants for that period.

The Hydraulic Authority I Limited Group is funded through a combination of Shareholders' Funds, Bank Loans, Loan Notes, Preference Shares and cash generated through operating profits. The Directors are satisfied that the maturity of these financing arrangements is sufficiently long term and there is not an immediate requirement to refinance or review the capital structure at this time. Whilst the UK's economic outlook remains uncertain, the Directors have considered the impact to the Group by conducting extensive scenario analysis on the Group's profitability, the availability of cash to meet liabilities as they fall due and its compliance with the debt covenant attached to the Secured term loans.

Directors' report *(continued)*

Going concern *(continued)*

Taking the above into consideration, and the principal risks identified on page 2, the Directors are confident that the Group, and consequently the Company, will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Qualifying third party indemnity provisions

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

Auditor

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 auditor for the purposes of its audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Approved and signed on behalf of the Board on 6 June 2022.

A J Richards
Director
c/o Addleshaw Goddard LLP
One St Peter's Square
Manchester
England
M2 3DE

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Annual Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

kpmg

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 2022 which comprise the Profit and loss account and other comprehensive income, Balance Sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

Fraud and breaches of laws and regulations – ability to detect *(continued)*

Identifying and responding to risks of material misstatement due to fraud (continued)

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue transactions comprise management charges receivable from other group entities which are simple in nature.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and employment law, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Gemma Surtees (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX
United Kingdom

6 June 2022

Profit and loss account and other comprehensive income

for the year ended 31 March 2022

	Note	**2022**	2021
		£	£
Turnover	*3*	**11,875,922**	8,648,943
Administrative expenses		**(2,140,085)**	(1,492,805)
Operating profit	*4*	**9,735,837**	7,156,138
Interest receivable and similar income	*7*	**1,048,365**	408,335
Interest payable and similar charges	*8*	**(161,236)**	(66,400)
Profit on ordinary activities before taxation		**10,622,966**	7,498,073
Taxation on profit on ordinary activities	*9*	**(424,926)**	(686,137)
Profit for the financial year		**10,198,040**	6,811,936

There was no other comprehensive income in the current or preceding year. Comprehensive income comprises the profit for the current and preceding financial year.

All amounts relate to continuing operations.

The accompanying notes form part of the financial statements.

Balance sheet
at 31 March 2022

	Note	**2022**		2021	
		£	**£**	£	£
Fixed assets					
Tangible fixed assets	*10*		**498,522**		587,424
Investments	*11*		**11,273,826**		11,273,826
			11,772,348		11,861,250
Current assets					
Debtors	*12*	**24,244,922**		12,192,449	
Cash at bank		**163,382**		216,043	
		24,408,304		12,408,492	
Creditors: Amounts falling due within one year	*13*	**(3,771,061)**		(2,058,821)	
Provisions for liabilities					
Deferred tax liability	*14*	**(630)**		-	
Net current assets			**20,636,613**		10,349,671
Net assets			**32,408,961**		22,210,921
Capital and reserves					
Called up share capital	*15*		**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			**19,047,967**		8,849,927
Shareholders' funds			**32,408,961**		22,210,921

The accompanying notes form part of the financial statements.

These financial statements were approved by the board of directors on 6 June 2022 and were signed on its behalf by:

D Seetahul
Director

Company registered number: 03232759

Statement of changes in equity

	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total £
Balance at 1 April 2020	4,565,959	8,771,236	23,799	1,878,777	15,239,771
Comprehensive income for the year					
Profit for the year	-	-	-	6,811,936	6,811,936
Deemed distribution cancelled	-	-	-	159,214	159,214
Balance at 31 March 2021	4,565,959	8,771,236	23,799	8,849,927	22,210,921
Balance at 1 April 2021	4,565,959	8,771,236	23,799	8,849,927	22,210,921
Comprehensive income for the year					
Profit for the year	-	-	-	10,198,040	10,198,040
Balance at 31 March 2022	**4,565,959**	**8,771,236**	**23,799**	**19,047,967**	**32,408,961**

The accompanying notes form part of the financial statements.

Notes
(forming part of the financial statements)

10 Accounting policies

Pirtek Europe Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act and is registered in England and Wales. The registered number is 03232759 and the registered address is Addleshaw Goddard LLP, One St Peter's Square, Manchester, England, M2 3DE.

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 presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statement are prepared on a historical cost basis.

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).

The Company's parent undertaking, Hydraulic Authority I Limited includes the Company in its consolidated financial statements. The consolidated financial statements of 31 March 2022 are prepared in accordance with the Financial Reporting Standard 102 (FRS 102) and are available to the public and may be obtained from Companies House. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Hydraulic Authority I Limited include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

1.1 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider

to be appropriate for the following reasons.

As the company is party to a cross guarantee in respect of borrowings by Hydraulic Authority III Limited as described in note 16, Its liquidity is intrinsically linked with the performance of the Hydraulic Authority I Limited group of companies (the Group) of which it is a member.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements, which includes modelling severe but plausible downside scenarios, including assuming no growth during 2022-2023. This indicates that the Group will have sufficient funds to meet its liabilities as they fall and continue to operate within its covenants for that period.

The Hydraulic Authority I Limited Group is funded through a combination of Shareholders' Funds, Bank Loans, Loan Notes, Preference Shares and cash generated through operating profits. The Directors are satisfied that the maturity of these financing arrangements is sufficiently long term and there is not an immediate requirement to refinance or review the capital structure at this time. Whilst the UK's economic outlook remains uncertain, the Directors have considered the impact to the Group by conducting extensive scenario analysis on the Group's profitability, the availability of cash to meet liabilities as they fall due and its compliance with the debt covenant attached to the Secured term loans.

Taking the above into consideration, and the principal risks identified on page 2, the Directors are confident that the Group, and consequently the Company, will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 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.

1.4 Classification of financial instruments issued by the Group and Company

In accordance with FRS 102.22, financial instruments issued by the Group and the Company are treated as equity

only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the entity to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the entity; and
- where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

1.6 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. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation on assets 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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

1.7 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets (continued)

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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Turnover

Turnover represents management charges to subsidiary undertakings and is stated net of value added tax. Management charges are recognised as a proportion of subsidiary turnover in line with the contractual agreement.

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Employee benefits (continued)

Defined contribution plans and other long-term employee benefits A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11 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.

1.12 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 Significant judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the group's accounting policies outlined above, the directors are required to make 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 and so actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and 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.

The directors do not consider that there have been any key assumptions made concerning the future end other key sources of estimation in certainty at the balance sheet date which may cause material adjustment to the carrying amount of assets or liabilities within the next financial period.

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:

	2022	2021
	£	£
United Kingdom	**6,417,601**	4,395,582
Rest of Europe	**5,458,321**	4,253,361
	11,875,922	8,648,943

Notes *(continued)*

4 Operating profit

	2022	2021
	£	£
This is arrived at after charging:		
Depreciation of tangible fixed assets	**149,472**	142,757
Fees payable to the company's auditor for the audit of the company's annual accounts	**12,575**	18,361
Fees payable to the company's auditor for non-audit services to the group	**118,896**	-
Foreign exchange gains	**13,691**	35,915
Pension costs	**26,252**	20,852

5 Employees

	2022	2021
	£	£
Staff costs (including directors) consist of:		
Wages and salaries	**969,904**	1,066,672
Social security costs	**134,777**	90,462
Other pension costs	**26,252**	20,852
	1,130,933	1,177,986

The average number of employees (including directors) receiving remuneration during the year was 4 *(2021: 4)*. There were 4 directors in the year *(2021: 4)*.

6 Directors

	2022	2021
	£	£
Directors' remuneration consists of:		
Emoluments	**968,366**	806,744
Company contributions to money purchase pension schemes	**26,252**	20,852
	994,618	827,596
Highest paid director:		
Emoluments	**483,601**	404,101

There were 2 directors *(2021: 2)* who accrued benefits under money purchase pension schemes during the year. Employees in the year were 4 directors *(2021: 4)*.

7 Interest receivable and similar income

	2022	2021
	£	£
Amount receivable from group undertakings	**1,048,365**	408,335

Notes *(continued)*

8 Interest payable and similar charges

	2022	2021
	£	£
Amount payable to group undertakings	**161,236**	66,400

9 Taxation on profit from ordinary activities

	2022	2021
	£	£
UK corporation tax		
Current tax on profits of the year	447,720	692,772
Adjustments in respect of prior periods	(27,691)	(1,875)
	420,029	690,897
Deferred tax		
Origination and reversal of timing differences	6,244	(832)
Adjustments in respect of prior periods	-	(3,928)
Effect of tax rate change on opening balance	(1,347)	-
Total deferred tax	4,897	(4,760)
Taxation on profit on ordinary activities	424,926	686,137

At 31 March 2022, there was no unrecognised deferred tax asset *(2021: £Nil)*.

Notes *(continued)*

9 Taxation on profit from ordinary activities *(continued)*

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:

	2022 £	2021 £
Profit on ordinary activities before tax	**10,622,966**	7,498,073
Profit on ordinary activities at the standard rate of corporation tax in the UK at 19%	**2,018,364**	1,424,634
Effects of:		
Fixed asset differences	**(3,452)**	-
Expenses not deductible for tax purposes	**59,024**	2,189
Group dividend income	**-**	-
Group relief received	**(1,621,469)**	(734,883)
Adjustments to tax charge in respect of prior periods	**(27,691)**	(1,875)
Adjust opening deferred tax to average rate of 19%	**-**	(3,928)
Remeasurement of deferred tax for changes in tax rates	**150**	-
Tax charge for year	**424,926**	686,137

Factors that may affect future current and total tax charges

In the 3 March 2022 Budget, it was announced that the UK tax rate will increase from 19% to 25% from 1 April 2023. The impact of the rate change on the deferred tax liability is not considered significant. The deferred tax liability at 31 March 2022 has been calculated at 25% (2021: 19%).

Notes *(continued)*

10 Tangible fixed assets

	IT systems £	Total £
Cost		
At beginning of year	1,220,420	1,220,420
Additions	60,570	60,570
At end of year	1,280,990	1,280,990
Depreciation		
At beginning of year	632,996	632,996
Charge for the year	149,472	149,472
At end of year	782,468	782,468
Net book value		
At 31 March 2022	**498,522**	**498,522**
At 31 March 2021	587,424	587,424

11 Investments

	Investment in subsidiaries £
Cost	
At 1 April 2021 and 31 March 2022	**12,550,389**
Provisions	
At 1 April 2021 and 31 March 2022	**(1,276,563)**
Net book value at 1 April 2021 and 31 March 2022	**11,273,826**

Notes *(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
CH Hydraulics Limited	United Kingdom	Ordinary	100%	Trading
CSS Hydraulics Limited	United Kingdom	Ordinary	100%	Trading
CSY Hydraulics Limited	United Kingdom	Ordinary	100%	Trading
CST Hydraulics Limited	United Kingdom	Ordinary	100%	Non-Trading
Pirtek France Holding SAS	France	Ordinary	100%	Management
Pirtek Hydraulique Service SAS	France	Ordinary	100%	Trading
Pirtek Deutschland GmbH	Germany	Ordinary	100%	Trading
Pirtek Austria GmbH	Austria	Ordinary	100%	Trading
Pirtek 24/7 HydraulikService GmbH	Austria	Ordinary	51%	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 Lummen bvba	Belgium	Ordinary	100%	Trading

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

Pirtek (UK) Limited	c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester, England, M2 3DE
CH Hydraulics Limited	c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester, England, M2 3DE
CSS Hydraulics Limited	c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester, England, M2 3DE
CSY Hydraulics Limited	c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester, England, M2 3DE
CST Hydraulics Limited	c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester, England, M2 3DE
Pirtek France Holding SAS	3 Rue de Lances, 94310, Orly, France
Pirtek Hydraulique Services SAS	3, Rue de Lances, 94310, Orly, France
Pirtek (Deutschland) GmbH	Maarweg 165, 50825 Koln, Germany
Pirtek Austria GmbH	C/o Hasperger Setiz & Partner, Gonzagagasse 4, 1010 Wien, Austria
Pirtek 24/7 HydraulikService GmbH	Bruckenkopfgasse 1, 6. Stock, 8020, Graz, 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
Pirtel Lummen bvba	Klaverbladstraat 16, 3560, Lummen, Belgium

12 Debtors

	2022	2021
	£	£
Amounts due from group companies	**23,744,898**	11,777,598
Taxation and social security	**69,525**	64,556
Other debtors	**116,348**	128,852
Prepayments	**314,151**	217,176
Deferred tax asset	-	4,267
	24,244,922	12,192,449

Notes *(continued)*

13 Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	**256,329**	117,342
Amounts due to group companies	**2,555,166**	783,639
Accruals	**675,769**	468,186
Corporation tax liability	**283,797**	689,654
	3,771,061	2,058,821

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Asset		Liabilities		Net	
	2022 £	2021 £	**2022 £**	2021 £	**2022 £**	2021 £
Accelerated capital allowances	**-**	3,317	**(630)**	-	**(630)**	3,317
Other	**-**	950	**-**	-	**-**	950
Net tax asset / (liabilities)	**-**	4,267	**(630)**	-	**(630)**	4,267

15 Share capital

	2022 £	2021 £
Allotted, called up and fully paid.		
'A' ordinary shares of £1 each	**3,861,486**	3,861,486
'B' ordinary shares of £1 each	**683,473**	683,473
	4,544,959	4,544,959
Preference shares of £0.01 each	**21,000**	21,000
	4,565,959	4,565,959

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.

Notes *(continued)*

16 Contingencies

As at 31 March 2022, the company is party to a cross guarantee in respect of £43,885,158 (2021: £45,338,751) in funded and £5,000,000 (2021: £5,000,000) 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 18).

17 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.

18 Ultimate controlling party and immediate parent company

The immediate parent undertaking of the company is Hydraulic Authority III Limited. The company is an indirect subsidiary of Hydraulic Authority 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 Hydraulic Authority I Limited are available from Companies House.

At 31 March 2022, PNC Capital Finance, LLC is considered the ultimate controlling party.