**Hydraulic Authority II Limited**

# Annual report and financial statements

Registered number 11686208

For the year ended 31 March 2022

# Contents

# Strategic report

### Business review

Hydraulic Authority II Limited is 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 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 with a mixed owned and franchised model. The principal activity of the network itself is the delivery of time-sensitive, on-site hose replacement services.

### Business performance

The Group 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 group 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 of the Group are optimistic for the prospects of the group given the good performance in the current year.

### 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 have assessed the recoverability of the Company's investments and considered whether any indicators of impairment exist, based on its subsidiaries' position, current and projected performance and wider market conditions. The directors have concluded that no indicators of impairment exist.

### Business environment

The emergency hydraulic hose replacement market across Europe 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 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 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.

# Strategic report *(continued)*

### Strategy and future developments

The Company's strategy is to continue to support the Pirtek group, which aims to increase its geographic footprint and improve density of coverage in key markets through additional centres and mobile service units.

### Principal risks and uncertainties

As the company is party to a cross guarantee in respect of borrowings by Hydraulic Authority III Limited described in Note 14, its liquidity is intrinsically linked with the performance of Hydraulic Authority I Limited group of companies (The Group), of which it 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 focused 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 high 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,

# 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 reporting 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 report together with the strategic report and the audited financial statements for the year ended 31 March 2022.

**Results and dividends**

The statement of total comprehensive income is set out on page 11 and shows the loss for the year.

The trading results for the year, and the Company's financial position at the end of the year, are shown in these financial statements. The Company is a wholly owned subsidiary of Hydraulic Authority I Limited which will continue to provide such financial support for the business as it requires.

The directors are unable to recommend payment of a dividend.

**Principal activities**

The Company is an intermediate holding company. Its subsidiaries 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 with a mixed owned and franchised model. The principal activity of the network itself is the delivery of time-sensitive, on-site hose replacement services.

**Financial risk management objectives and policies**

The Company has various financial instruments including investments, creditors, loan notes and amounts due to and from other group companies that arise directly from its operations.

The existence of these financial instruments exposes the company to a number of financial risks. The main risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity 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.

**Going concern**

Notwithstanding the company's loss of £814k for the year ended and net liabilities of £3,671k, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have performed a going concern assessment for a period of 12 months from the date of approval of these financial statements, which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its intermediate parent company, Hydraulic Authority I Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Hydraulic Authority I Limited providing additional financial support during that period. Hydraulic Authority I Limited has indicated its intention to continue to operate a centralised Group treasury arrangement and make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that 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.

# Directors' report *(continued)*

**Qualifying third party indemnity provisions**

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

**Directors**

The directors of the company during the year were:

A S McNutt
A J Richards
M Rost
A Wiechkoske

**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.

Richards

**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 Hydraulic Authority II Limited

## Opinion

We have audited the financial statements of Hydraulic Authority II 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 loss 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 Hydraulic Authority II 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 there are no revenue transactions.

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 (as required by auditing standards), and discussed with the directors 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:

- 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.

# Independent auditor's report to the members of Hydraulic Authority II Limited
*(continued)*

**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

**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** | | **-** | - |
| Administrative expenses | | **(21,211)** | (24,098) |
| **Operating loss** | 3 | **(21,211)** | (24,098) |
| Interest payable and similar charges | 4 | **(5,805,628)** | (5,456,991) |
| Interest income | 5 | **4,720,402** | 4,216,268 |
| **Loss on ordinary activities before taxation** | | **(1,106,437)** | (1,264,821) |
| Taxation on loss from ordinary activities | 6 | **(191,767)** | (114,357) |
| **Loss for the financial year** | | **(1,298,204)** | (1,379,178) |

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** | | | | | |
| Investments | 7 | | **1** | | 1 |
| **Current assets** | | | | | |
| Debtors | 8 | **66,419,797** | | 62,467,747 | |
| Cash in Bank | | **1,406** | | 3,524 | |
| | | **66,421,203** | | 62,471,271 | |
| **Creditors:** Amounts falling due within one year | 9 | **(44,449,563)** | | (41,816,210) | |
| **Net current assets** | | | **21,971,640** | | 20,655,061 |
| **Total assets less current liabilities** | | | **21,971,641** | | 20,655,062 |
| **Creditors:** Amounts falling due after more than one year | 10 | | **(26,126,771)** | | (23,511,988) |
| **Net liabilities** | | | **(4,155,130)** | | (2,856,926) |
| **Capital and reserves** | | | | | |
| Called up share capital | 12 | | **1** | | 1 |
| Profit and loss account | | | **(4,155,131)** | | (2,856,927) |
| **Shareholders' deficit** | | | **(4,155,130)** | | (2,856,926) |

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:

**A J Richards**
*Director*

Company registered number: 11686208

## Statement of changes in equity

| | Called up share capital £ | Profit and loss account £ | Total £ |
|---|---|---|---|
| Balance at 1 April 2020 | 1 | (1,477,749) | (1,477,749) |
| **Comprehensive income for the year** | | | |
| Loss for the year | - | (1,379,178) | (1,379,178) |
| **Balance at 31 March 2021** | **1** | **(2,856,927)** | **(2,856,926)** |
| Balance at 1 April 2021 | 1 | (2,856,927) | (2,856,926) |
| **Comprehensive income for the year** | | | |
| Loss for the year | - | (1,298,204) | (1,298,204) |
| **Balance at 31 March 2022** | **1** | **(4,155,131)** | **(4,155,130)** |

The accompanying notes form part of the financial statements.

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

Hydraulic Authority II Limited (the Company) is a company limited by shares, incorporated in United Kingdom under the Companies Act and is registered in England and Wales. The Company's registered number is 11686208 and thc 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 the Republic of Ireland, and the Companies Act 2006. The presentation currency of these financial statements is sterling.

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 Hydraulic Authority II 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 parent company, Hydraulic Authority I Limited.

# 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.

The Directors have performed a going concern assessment for a period of 12 months from the date of approval of these financial statements, which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID- 19, the company will have sufficient funds, through funding from its intermediate parent company, Hydraulic Authority I Limited to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Hydraulic Authority I Limited providing additional financial support during that period. Hydraulic Authority I Limited has indicated its intention to continue to operate a centralised Group treasury arrangement and make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that 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 Classification of financial instruments issued by the Company*

In accordance with FRS 102.22, financial instruments issued by 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.

### *1.4 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.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.4 Basic financial instruments (continued)*

*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.

### *1.5 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. 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.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

### *1.6 Interest receivable and Interest payable*

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

### *1.7 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.

## 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.

# Notes *(continued)*

## 3 Operating loss

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| ***This has been arrived at after charging:*** | | |
| Fees payable to the company's auditor and associates for: | | |
| - the audit of the company's accounts pursuant to legislation | **11,400** | 9,381 |
| - tax services | **4,800** | 8,333 |

## 4 Interest payable and similar charges

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| A loan note interest | **2,421,536** | 2,177,004 |
| B loan note interest | **180,226** | 175,728 |
| Loan note issue costs | **13,019** | 13,019 |
| Intercompany interest payable | **3,190,847** | 3,091,240 |
| | **5,805,628** | 5,456,991 |

## 5 Interest income

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| Intercompany interest receivable | **4,720,402** | 4,216,268 |

## 6 Taxation on loss from ordinary activities

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| *Current tax* | | |
| UK corporation tax at 19% *(2021: 19%)* | **191,767** | 114,358 |

### 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:

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| Loss on ordinary activities before tax | **(1,106,437** | (1,264,821) |
| Loss on ordinary activities at the standard rate of corporation tax in the UK at 19% | **(210,223)** | (240,316) |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **401,990** | 354,674 |
| Tax charge for year | **191,767** | 114,358 |

# Notes *(continued)*

## 6 Taxation on loss from ordinary activities *(continued)*

***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.

## 7 Fixed asset investments

| | Investments in subsidiaries |
|---|---|
| | £ |
| Cost and net book value as at 1 April 2021 and 31 March 2022 | 1 |

**Principal fixed asset investments**

The company directly or indirectly holds the share capital of the following subsidiary undertakings:

| | Country of incorporation | Class of share | % of share capital held | Nature of business |
|---|---|---|---|---|
| **Directly owned** | | | | |
| Hydraulic Authority III Limited | United Kingdom | Ordinary | 100% | Management |
| **Indirectly owned** | | | | |
| Pirtek Europe Limited | United Kingdom | Ordinary | 100% | Management |
| 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 Hydraulic 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 Belgium bvba | Belgium | Ordinary | 100% | Trading |
| Pirtek Brussels bvba | Belgium | Ordinary | 100% | Trading |
| Pirtek Lummen bvba | Belgium | Ordinary | 100% | Trading |
| Pirtek Sweden AB | Sweden | Ordinary | 100% | Trading |

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

| | |
|---|---|
| Hydraulic Authority III Limited | c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester, England, M2 3DE |
| Pirtek Europe Limited | c/o Addleshaw Goddard LLP, One St Peter's Square, Manchester, England, M2 3DE |
| 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 |

# Notes *(continued)*

## 7 Fixed asset investments *(continued)*

| | |
|---|---|
| Pirtek 24/7 HydraulikService GmbH | Bruckenkopfgasse 1, 6. Stock, 8020, Graz, Austria |
| Pirtek BV | Hongkongstraat 29, 3047 BR Rotterdam, The Netherlands |
| Pirtek Belgium bvba | Floralienlaan 21, 2600 Antwerp, Belgium |
| Pirtek Brussels bvba | Avenue Newton 7, 1300 Wavre, Belgium |
| Pirtek Lummen bvba | Klaverbladstraat 16, 3560, Lummen, Belgium |
| Pirtek Sweden AB | Box 90, 182 07 Stocksund, Sweden |

## 8 Debtors

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| Other taxation and social security | **200** | - |
| Prepayments and accrued income | **3,250** | - |
| Amounts due from group undertakings | **66,416,347** | 62,467,747 |
| | **66,419,797** | 62,467,747 |

## 9 Creditors: Amounts falling due within one year

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| Trade creditors | **4,320** | - |
| Amounts due to group undertakings | **44,357,673** | 41,807,085 |
| Corporation tax liability | **75,447** | - |
| Other accruals | **12,123** | 9,125 |
| | **44,449,563** | 41,816,210 |

## 10 Creditors: Amounts falling due after more than one year

| | **2022** | 2021 |
|---|---|---|
| | **£** | £ |
| 11% Coupon A Loan Notes | **23,520,346** | 21,190,130 |
| 11% Coupon B Loan Notes | **1,230,936** | 1,230,936 |
| Loan notes issue costs | **(86,044)** | (99,063) |
| Loan note interest | **1,461,533** | 1,189,985 |
| | **26,126,771** | 23,511,988 |

# Notes *(continued)*

## 11 Interest-bearing borrowings and loans

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost:

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| 11% Coupon A Loan Notes | **23,520,346** | 21,190,130 |
| 11% Coupon B Loan Notes | **1,230,936** | 1,230,936 |
| Loan notes issue costs | **(86,044)** | (99,063) |
| Loan note interest | **1,461,533** | 1,189,985 |
| | **26,126,771** | 23,511,988 |

On 21 November 2018, the Company issued £17,197,875 A loan notes and £1,286,859 B loan notes. The notes bear an interest rate of 11% per annum, are unsecured and repayable in November 2028. Interest accrued for the year is disclosed in note 4. Interest is payable on the loan notes on the earlier of an Exit event or upon the 10-year anniversary of issue, or otherwise at the discretion of the company.

On 20th September 2019, 17,197,875 A loan notes were listed on 'The International Stock Exchange' (TISE) at a gross value of £17,197,875. A further 1,891,766 at a gross value of £1,891,766 were listed on the 12th December 2019. A further 2,099,860 at a gross value of £2,099,860 were listed on the 10th December 2020 and another 2,330,145 at a gross value of £2,330,845 were listed on the 16 December 2021.

The loan notes bear an interest rate of 11% per annum accruing daily. The principal amounts due at the year-end are disclosed in note 10. The interest amounts due at the year-end are disclosed in note 10.

Issue costs are being amortised straight line over the life of the life of the loan notes to the repayment date of November 2028.

## 12 Share capital

| | 2022 | 2021 |
|---|---|---|
| | £ | £ |
| ***Allotted, called up and fully paid:*** | | |
| 1 ordinary share of £1 each | **1** | 1 |

## 13 Contingencies

As at 31 March 2022, the company is party to a cross guarantee in respect of £43,885,158 in funded and £5,000,000 unfunded borrowing due to Golub Capital LLC, secured by the net assets of its investments in Hydraulic Authority III 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.

Hydraulic Authority III Limited is a direct subsidiary of Hydraulic Authority II Limited (see note 7).

## 14 Related party transactions

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

# Notes *(continued)*

## 15 Ultimate controlling party and immediate parent company

At 31 March 2022 the Company's immediate parent company was Hydraulic Authority I Limited, a company incorporated in the United Kingdom, which is the parent of both the smallest and largest groups of which the Company is a member.

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.