Hydratight Limited

Annual report and financial statements

for the year ended 31 August 2019

Registered number: 03069889

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Hydratight Limited Registered number 03069889

Annual report and financial statements for the year ended 31 August 2019

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Hydratight Limited Registered number 03069889

Directors and advisers

Registered office

Registered in England

Unit 601, Axcess 10 Business Park
Bentley Road South
West Midlands
WS10 8LQ

Directors

M Coombs
Actuant Europe Holding SASU
R Roman
N Gemmell

Company Secretary

N Gemmell

Bankers

JP Morgan Chase Bank
125 London Wall
London
EC2Y 5AJ

Solicitors

Ward Hadaway
Sandgate House
102, Quayside
Newcastle upon Tyne
NE1 3DX

McDermott Will & Emery
7, Bishopsgate
London
EC2N 3AR

Bird & Bird
15, Fetter Lane
London
EC4A 1JP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

Strategic Report
for the year ended 31 August 2019

The directors present their strategic report for the year ended 31 August 2019.

Business review and principal activities

The company is involved in the sales, design and manufacture of hydraulic bolt tightening systems and mechanical pipeline connectors as well as the rental of hydraulic bolt working equipment and services, pipe machining services and the provision of technical software and training.

The directors are satisfied with the result for the year and are confident of a continuing satisfactory performance in 2020. Turnover year on year increased by 18.5% (2018: 5.1%).

Loss before taxation was £2.522m compared with a profit of £6.306m in the prior year. This included a one-off impairment charge of £12,655,999 on the hiving up of Mirage machines Limited (FY18: Nil).

The markets we serve continue to experience considerably different demand, with the UK and Western Europe broadly stable, but the emerging markets of the Caspian Sea and parts of the Middle East region are still experiencing highs and lows in demand, dependent on project specific activity.

Business environment

The company operates in an extremely competitive environment, but uses its considerable experience and product knowledge to remain competitive.

The company continues to offer a wide product portfolio, covering standard and special application torque and tension products as well as bespoke mechanical connectors to customers across the globe.

Strategy

Globalisation of the product sales offering continues, through our ever increasing global network of entities in the Hydratight structure. A higher emphasis on the Joint Integrity philosophy and the associated management processes is a key driver for the business and the industry.

Future outlook

Future outlook is stable, low level growth is expected across older more mature markets, supported by potentially more robust demand in our developing markets. New product and service development is seen as key to offset any wider economic / market volatility.

COVID-19 has had a detrimental effect on the last few months of FY20 trading but given the nature of the business, primarily supplying tools and services to the oil industry, we do not anticipate a long term adverse impact.

Strategic Report
for the year ended 31 August 2019 (continued)

Principal risks and uncertainties

The potential volatility of the oil price remains a factor that is monitored closely as a key indicator of customer demand and budget availability.

The primary concern of all our operations is to demonstrate a world class environmental, health and safety record and operating procedures, to remain the supplier of choice, as well as expanding our focus to markets outside of the traditional Oil and Gas sectors.

Key performance indicators ("KPIs")

Safety performance remains our major focus and is a measure used both internally with staff and externally with customers. The company has been able to demonstrate a very strong safety culture.

Additional financial measures for the business continue to be monitored such as turnover growth, EBITDA and primary working capital, and these are monitored and published within the business on a monthly basis.

	2019	2018
Turnover increase	18.5%	5.1%
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	10.5%	1.5%
Primary working capital percentage*	42.5%	28.3%

All KPI's are calculated using US GAAP reported numbers as these are the numbers used for internal reporting.

* Measured as last three months' annualised net working capital (Third party receivables + gross inventory - third party trade creditors).

On behalf of the board

N.J. Gemmell.

N Gemmell 26.8.2020
Director

Directors' report
for the year ended 31 August 2019

The directors present their report together with the audited financial statements of the company for the year ended 31 August 2019

Results and dividends

There was a loss for the financial year amounting to £6,204,000 (2018 £1,879,000 profit)
The directors consider that the results for the year and the financial position at the end of the year were satisfactory

There were no dividend paid during the year (2018 £40,000,000)

No dividends were received during the year (2018 Nil)

The board of directors decided to hive-up the trade and assets of Mirage Machines Limited into Hydratight Limited at 1 June 2019 at its carrying value (Note 27).

The directors have prepared the financial statements on a going concern basis (note 3)

Research and development

Investment continues in the product portfolio, in terms of development of existing products and new offerings, to ensure we remain a market leader in our specialist applications.

The company is committed to research and development activities in order to secure and maintain its position in the market place and has incurred £1,973,000 of expenditure in the year (2018: £1,440,000) which has been written off to the profit and loss account

Financial risk management

The company uses various financial instruments. These include inter-company loans, cash, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Market risk

Market risk encompasses three types of risk being currency risk, fair value interest rate risk and price risk The company's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "Interest rate risk" below.

Currency risk

The company is exposed to translation and transaction foreign exchange risk

The company raises invoices in currencies other than its functional currency. Approximately 21% of invoices are raised in US Dollars, and approximately 1% are raised in Euros The company's policy is to reduce Euro currency exposure by purchasing as much as practicable of materials and expenses with items denominated in the Euro. It is not practicable for the company to purchase any significant value of its material requirements in US dollars, but it continues to seek opportunities to do so. The exchange rate risk is managed through various hedging transactions. Our ultimate parent company, Enerpac Tool Group manages the group foreign exchange hedging policy, which includes Hydratight Limited.

Interest rate risk

The company has interest-bearing assets and liabilities These include cash balances and intercompany loans The directors will revisit the appropriateness of this policy should the company change in size and nature The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

Price risk

The company's exposure to risk consists mainly of movements in the price of its raw materials The company has a good record of being able to recover increases in its raw materials costs by increasing its selling prices.

Directors' report
for the year ended 31 August 2019 (continued)

Liquidity risk

The company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs

The company's funding need is managed through its retained earnings

The company has access to a shared overdraft facility which it uses very rarely to meet short-term fluctuations in cash requirements The company's direct exposure to movements in short-term interest rates is low

Credit risk

The company's principal financial assets are cash and trade debtors The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies The principal credit risk arises therefore from its trade debtors

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit agency references Credit limits are reviewed by the financial controller on a regular basis in conjunction with debt ageing and collection history.

There was no significant concentration of credit risk with any individual customers.

Directors

The directors who served during the year and up to the date of signing the financial statements are as follows:

W Dennis (resigned 02.05.2019)
Actuant Europe Holding SASU
R Roman
N Gemmell
M Coombs (appointed 01.06.2019)

Creditor payment policy

It is the company's policy to agree terms of settlement with its suppliers which are appropriate to the markets in which they operate, and to abide by such terms where suppliers have also met their obligations The creditor days at 31 August 2019 were 38 days (2018 : 34 days).

Employees

Enerpac Tool Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status The group gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary

Employee involvement

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its success The company encourages the involvement of employees by means of both a quarterly webinar presented by The Global Business Leader and the Segment Leader and a monthly Team Brief presented by departmental managers

Impairment

The directors performed an impairment assessment as a result of the group divestiture of a number of businesses that impacted upon the investments held by Hydratight Limited. As a result there is an impairment charge in the year of £12,654,663 (2018: Nil)

Directors' report
for the year ended 31 August 2019 (continued)

Overseas branches

The company operates branches in Kazakhstan and Azerbaijan.

Post balance sheet events

Since the balance sheet date, there has been significant macro-economic uncertainty as a result of Coronavirus outbreak, the scale and duration of which inherently remains uncertain. The directors are monitoring and reacting to the situation regularly and have put in place contingency plans to mitigate the developing risks of this global pandemic and these plans will continue to be adapted as the situation evolves. The event is deemed to be a non-adjusting balance sheet event. Currently the Company's trading activities were impacted due to the lower demand in the market as a result however there were signs recently for recovering its business to the normal level as expected by directors. Under the Company's intra-group funding arrangements, the ultimate parent undertaking Enerpac Tool Group Inc will continue to provide support to the Company's trading activities, so the situation is not considered to impact these financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Finacial Reporting Standard Applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financil statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.
The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors confirmations

In the case of each director in office at the date the Directors' Report is approved:

- So far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- They have taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

N.S. Gennell.

N Gennell
Director

26. 8. 2020

Independent auditors' report to the members of Hydratight Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hydratight Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 August 2019; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Hydratight Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Matthew Walker

Matthew Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
26 August 2020

Profit and loss account
for the year ended 31 August 2019

	Note	2019 £'000	2018 £'000
Turnover	5	71,595	60,441
Cost of sales		(43,831)	(36,627)
Gross profit		27,764	23,814
Distribution costs		(3,438)	(2,678)
Administrative expenses		(13,215)	(14,037)
Operating profit	6	11,111	7,099
Other interest receivable and similar income	7	73	21
Impairment of fixed asset investments	14	(12,655)	-
Interest payable and similar expenses	8	(1,051)	(814)
(Loss) / profit before taxation		(2,522)	6,306
Tax on (loss) / profit	11	(3,682)	(4,427)
(Loss) / profit for the financial year		(6,204)	1,879

All results are derived from continuing operations.

There is no difference between the profit before taxation and the profit for the financial years stated above and their historical cost equivalents.

Statement of comprehensive income
for the year ended 31 August 2019

	Note	2019 £'000	2018 £'000
(Loss) / profit for the financial year		(6,204)	1,879
Actuarial gain on pension scheme	22	85	294
Movement on deferred tax relating to pension deficit	19, 22	(3)	(68)
Exchange difference		3,380	213
Total comprehensive income for the year		(2,742)	2,318

Hydratight Limited Registered number 03069889

Balance Sheet
as at 31 August 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	12	2,266	2,795
Tangible assets	13	3,483	3,534
Investments	14	1,167	13,777
		6,916	20,106
Current assets			
Stocks	15	6,656	3,797
Debtors	16	80,737	72,125
Cash at bank and in hand		99	17
		87,492	75,939
Creditors: amounts falling due within one year	17	(51,125)	(50,020)
Net current assets		36,367	25,919
Total assets less current liabilities		43,283	46,025
Creditors: amounts falling due after more than one year	18	(121)	(121)
Net assets		43,162	45,904
Capital and reserves			
Called up share capital	20	427	427
Share premium account		6,670	6,670
Profit and loss account		36,065	38,807
Total shareholders' funds		43,162	45,904

The financial statements on pages 9 to 34 were approved by the Board on 26 August 2020 and were signed on its behalf by:

N.J. Gemmell

N Gemmell
Director

26.8.2020

Hydratight Limited Registered number 03069889

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

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
As at 1st September 2017	427	6,670	76,489	83,586
Profit for the financial year	-	-	1,879	1,879
Other comprehensive income for the year	-	-	439	439
Total comprehensive income for the year	-	-	2,318	2,318
Dividends paid	-	-	(40,000)	(40,000)
Total transactions with owners recognised directly in equity	-	-	(40,000)	(40,000)
As at 31st August 2018	**427**	**6,670**	**38,807**	**45,904**
As at 1st September 2018	427	6,670	38,807	45,904
Loss for the financial year	-	-	(6,204)	(6,204)
Other comprehensive income for the year	-	-	3,462	3,462
Total comprehensive income for the year	-	-	(2,742)	(2,742)
As at 31st August 2019	**427**	**6,670**	**36,065**	**43,162**

Notes to the financial statements for the year ended 31 August 2019

1 General Information

Hydratight Limited is involved in the sales, design and manufacture of hydraulic bolt tightening systems and mechanical pipeline connectors as well as the rental of hydraulic bolt working equipment and services, pipe machining services and the provision of technical software and training

The company is a private company limited by shares and is incorporated in England

The address of its registered office is Unit 601, Axcess 10 Business Park, Bentley Road South, Darlaston West Midlands, WS10 8LQ

2 Statement of compliance

The financial statements of Hydratight Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006 except as noted in note 3(d)

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented

a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom Accounting policies have applied consistent classifications with prior year treatment

b) Going concern

The directors have reviewed the Company's liquidity position and budgets, updated for the impacts of Covid. The Company has received a letter of support from its ultimate parent company The directors are satisfied that the ultimate parent is in a financial position to provide that support, factoring in the recent developments around the Covid-19 pandemic, and that with this continued support the Company will be able to meet its liabilities as they fall due for at least 12 months from the approval of these financial statements

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders

The Company has taken advantage of the following exemptions

- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33 7
- from disclosing share based payment arrangements, required under FRS 102 paragraphs 26 18(c), 26 19 to 26 21 and 26 23, concerning its own equity instruments
- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows,
- from disclosing inter group related party transactions (in line with UK GAAP); and
- from disclosing impact of standards issued but not effective

d) Basis of consolidation

The company is required to produce consolidated financial statements in accordance with the Companies Act 2006 but takes the exemption in section 401 of the Act from preparing consolidated financial statements

e) Cash flow statement

The company has taken advantage of the exemption conferred under Section 7 of FRS 102 and p3 17(d) not to prepare a cash flow statement as its cash flows are included in the consolidated financial statements of Enerpac Tool Group (see note 26)

3 Summary of significant accounting policies (continued)

f) Goodwill and intangible fixed assets

Goodwill arising on business acquisitions, representing the excess of the consideration given over the fair values of identifiable net assets acquired is amortised on a straight line basis over its estimated useful life. Typically 20 years for acquisitions prior to 1 September 2014 and 10 years for acquisitions since 1 September 2014.

The amortisation charge for all intangible assets is included in administrative expenses.

Intangible assets represent Non-compete agreements and Customer relationships on acquisition and are amortised over 3 and 9 years respectively (on a straight line basis), being the estimated useful life, which is based on the period over which the directors consider economic benefit will be obtained.

g) Turnover

Turnover is the total amount receivable by the company for goods sold, equipment rented and services provided and the value of work done on long term contracts based on the percentage of cost completion to date on the project, excluding Value Added Tax and trade discounts.

The company recognises turnover once the following criteria have been met:

a) The company has transferred to the buyer the significant risks and rewards of ownership of the goods;
b) The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c) The amount of turnover can be measured reliably;
d) It is probable that the economic benefits associated with the transaction will flow to the company; and
e) The costs incurred or to be incurred in respect of the transaction can be measured.

h) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.
The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated to write down the cost, less estimated residual values, of all tangible fixed assets, except freehold land, by equal instalments over their expected useful economic lives. The useful economic lives generally applicable are:

Freehold buildings	40 years
Short leasehold buildings	Life of lease
Plant and machinery	3-10 years
Fixtures and Fittings	3-10 years
Hire Tools	3-7 years
Motor vehicles	5 years
Assets under construction (AUC)	Not depreciated

i) Investments

Investments are held at cost, less any provision for impairment. Investments are impaired to the extent the book value exceeds the higher of the value-in-use calculation and the net realisable value.

Notes to the financial statements for the year ended 31 August 2019 (continued)

3 Summary of significant accounting policies (continued)

j) Research and development

Research and development expenditure is charged against profits in the year in which it is incurred

k) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction All foreign currency monetary assets or liabilities are translated at the rate prevailing at the balance sheet date. All exchange differences are dealt with through the profit and loss account other than exchange differences arising on the retranslation of investments in overseas branches, which are dealt with in the Statement of other comprehensive income

l) Long term contracts

The attributable profit on long term contracts is recognised once their outcome can be foreseen with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project. Costs associated with long term contracts are included in work in progress to the extent that they do not relate to contract work accounted for as turnover. Long term contract balances included in work in progress are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account Full provision is made for all losses on contracts in the year in which the loss is foreseen

Retention income where the company is paid in advance for holding specified stock on behalf of customers is recognised during the course of a contract.

m) Stock

Stock is stated at the lower of cost and net realisable value Included within cost is materials, freight, labour and overheads Provisions made in respect of slow moving and obsolete stocks are based on a line-by-line review of stock items held

The company uses the first-in, first-out cost basis for all stock types

n) Lease costs

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term

o) Pension costs

The company operates a retirement benefit scheme with a defined contribution section and a defined benefit section, both of which require contributions to be made to separately administered funds Contributions to the defined contribution section are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

For the defined benefit pension scheme, pension scheme assets are measured using their respective market values Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability The increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit

The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income Actuarial gains and losses are recognised in the statement of total recognised gains and losses

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax

Notes to the financial statements for the year ended 31 August 2019 (continued)

3 Summary of significant accounting policies (continued)

p) Share based payments

The ultimate parent company operates a number of equity-settled, share-based compensation plans The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets) Non-market vesting conditions are included in assumptions about the number of options that are expected to vest At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest.

q) Current taxation

The tax charge is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible The company's liability for current tax is calculated using average tax rates that have been enacted or substantively enacted at the balance sheet date

r) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

s) Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of the financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited directly to equity.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not the market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost

Financial assets that are measured at amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Company's accounting policies

There are no sigificant critical judgements to be disclosed.

(b) Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of intangible assets and goodwill (note 12)

The company considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

(ii) Carrying value of investments

The company has significant investment in its subsidiaries. The directors assess wether any impairment triggers are present for investments in subsidiaries. An assessment of the long-term trading performance anticipated and underlying net assets in those subsidiaries has been made, which required some judgement and assumptions including discount rates, in order to consider whether those values could be justified.

Assumptions including revenue growth, sales mix and volumes, rental values and increases and customer attrition rates. In addition the use of discount rates requires judgement. The long-term growth assumption in the value-in-use calculations is 3%.

(iii) Defined benefit pension scheme (note 22)

The company operates a defined benefit scheme. The valuation of pension scheme liabilities in respect to this scheme is subject to actuarial estimations.

(iv) Long term contracts

The company recognises turnover and profit in respect of long term contracts to reflect the proportion of work completed to date on the project. This process involves some estimation of the total profitability of the project, as well as the appropriate proportion of the work completed at the period end.

(v) Corporation tax provision

The company assesses the recoverability of tax paid in different territories when preparing its the tax reporting in the UK based on differences of tax rates and local tax legislations as well as the company's plan to reorganise its operations among these territories.

Notes to the financial statements for the year ended 31 August 2019 (continued)

5 Turnover

An analysis of turnover by geographical market is given below.

	Year ended 31 August 2019 £'000	Year ended 31 August 2018 £'000
UK	12,261	14,842
Europe	4,751	6,119
Americas	2,336	2,168
Middle East	20,673	15,623
Rest of World	31,574	21,689
	71,595	60,441

6 Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 31 August 2019 £'000	Year ended 31 August 2018 £'000
Wages and salaries	12,548	13,238
Social security costs	1,579	1,670
Share based payments	361	522
Other pension costs (note 22)	574	659
Total staff costs	15,062	16,089
Amortisation of intangible fixed assets	477	548
Depreciation of owned tangible fixed assets	874	1,230
Amount of inventories recognised as expense during the year	2,790	9,143
Facility exit provision charged in administrative expenses	-	1,928
Impairment charge for inventory	4	60
(Reversal of impairment) / impairment charge for receivables	(109)	39
Research and development expenditure	1,973	1,440
Loss on disposal of fixed assets	7	105
Services provided by the company's auditors;		
- fees payable for the audit of the company	108	85
- fees payable for the audit of other group undertakings	84	75
Hire of plant and machinery	264	390
Other operating lease rentals	608	644

Notes to the financial statements for the year ended 31 August 2019 (continued)

7 Other interest receivable and similar income

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Interest receivable from group undertakings	73	21

8 Interest payable and similar expenses

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Interest payable to group undertakings	986	813
Net interest expense relating to pensions	65	1
	1,051	814

Notes to the financial statements for the year ended 31 August 2019 (continued)

9 Employee information

The average monthly number of employees, including directors, was:

	Year ended 31 August 2019	Year ended 31 August 2018
	Number	Number
Production	254	301
Selling and service	15	7
Administration	84	30
	353	338

10 Directors' emoluments

The emoluments of the directors who were paid by the company is as follows:

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Aggregate emoluments (excluding pension contributions)	250	246
Company pension contributions to money purchase schemes	18	20
	268	266

Two of the directors were remunerated by other group companies during the year (2018: two). The proportion of their time spent on Hydratight Limited was minimal and hence, none of these costs have been recharged.

Notes to the financial statements for the year ended 31 August 2019 (continued)

10 Directors' emoluments (continued)

Emoluments of the highest paid director

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Total emoluments (excluding pension contributions)	123	167

The number of directors who accrued benefits under company pension schemes was as follows.

	Year ended 31 August 2019	Year ended 31 August 2018
	Number	Number
Money purchase schemes	1	1

11 Tax on (loss) / profit

a) Analysis of tax charge in the year	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	£'000
Current tax:		
UK Corporation tax at 19.00% (2018 19.00%)	1,329	1,399
Non recoverable Overseas tax	2,559	3,299
Total UK tax	3,888	4,698
Total current tax	3,888	4,698
Deferred tax:		
Origination and reversal of timing differences	(230)	(253)
Other differences	24	(18)
Tax on profit on ordinary activities	3,682	4,427

Due to a potential plan to reorganise the company's operation among different territories the recoverability of tax debtors in the company's overseas branch were assessed under local tax legislations by directors as a result of the assessment performed £2,559k tax debtors were written off (FY18. £3,229K)

Notes to the financial statements for the year ended 31 August 2019 (continued)

11 Tax on (loss) / profit (continued)

b) Factors affecting the current tax charge / (credit) for the year

The tax assessed on the profit for the year is higher (2018: higher) than the standard rate 19.00% (2018: 19.00%) of corporation tax, the differences are explained below:

	Year ended 31 August 2019	Year ended 31 August 2018
	£'000	**£'000**
(Loss) / profit before taxation	**(2,522)**	6,306
(Loss) / profit before taxation multiplied by standard rate of corporation tax At 19.00% (2018: 19.00%)	**(479)**	1,198
Expenses not tax deductible and other permanent differences	**2,462**	76
Group relief surrendered for no value	**(923)**	-
Other differences	**39**	(129)
Non recoverable overseas tax	**2,559**	-
Adjustments in respect of prior years	**24**	3,282
Total tax charge for the year	**3,682**	4,427

c) Factors which may affect future tax charges

The 2015 Budget confirmed that the corporation tax rate will reduce to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. The rates of 19% and 18% were both enacted in November 2015. The 2016 Budget confirmed that the corporation tax rate would reduce to 17% (and not 18%) with effect from 1 April 2020 which was enacted in September 2016.
The deferred tax balances have been translated at 17%

The 2020 Budget confirmed that the corporation tax rate would remain at 19% with effect from 1 April 2020 although this was not substantively enacted at the balance sheet date.

Notes to the financial statements for the year ended 31 August 2019 (continued)

12 Intangible assets

	Non-compete Agreements	Customer Relationships	Capitalised Development Costs	Purchased Goodwill	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 September 2018	514	1,706	-	5,318	7,538
Transfer from Mirage	-	-	76	-	76
Foreign exchange	-	1	-	-	1
At 31 August 2019	**514**	**1,707**	**76**	**5,318**	**7,615**
Accumulated amortisation					
At 1 September 2018	413	465	-	3,865	4,743
Foreign exchange	-	55	-	-	55
Transfer from Mirage	-	-	74	-	74
Charge for the year	100	185	-	192	477
At 31 August 2019	**513**	**705**	**74**	**4,057**	**5,349**
Net book amount					
At 31 August 2019	**1**	**1,002**	**2**	**1,261**	**2,266**
At 31 August 2018	**101**	**1,241**	-	**1,453**	**2,795**

Notes to the financial statements for the year ended 31 August 2019 (continued)

13 Tangible assets

	Freehold buildings	Short leasehold buildings	Fixtures fittings, plant and machinery, hire tools	Motor vehicles	AUC	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 September 2018	19	680	19,541	38	(1)	20,277
Transfer from Mirage	-	140	881	-	-	1,021
Additions	-	-	310	-	57	367
Foreign Exchange	-	-	223	1	-	224
Disposals	-	-	(75)	-	-	(75)
At 31 August 2019	**19**	**820**	**20,880**	**39**	**56**	**21,814**
Accumulated depreciation						
At 1 September 2018	19	550	16,146	28	-	16,743
Foreign Exchange	-	-	79	1	-	80
Transfer from Mirage	-	109	592	-	-	701
Charge for the year	-	38	830	6	-	874
Disposals	-	-	(67)	-	-	(67)
At 31 August 2019	**19**	**697**	**17,580**	**35**	**-**	**18,331**
Net book amount						
At 31 August 2019	**-**	**123**	**3,300**	**4**	**56**	**3,483**
At 31 August 2018	-	130	3,395	10	(1)	3,534

Notes to the financial statements for the year ended 31 August 2019 (continued)

14 Investments

	Shares in group undertakings £'000
Cost	
At 1 September 2018	14,999
Additions	45
At 31 August 2019	15,044
Impairment Charges	
At 1 September 2018	1,222
Impairment charges in the year	12,655
At 31 August 2019	13,877
Net Book Value	
At 31 August 2019	1,167
At 31 August 2018	13,777

Fixed asset investments have been impaired as a result of a review following the group divestiture of a number of businesses The review resulted in an impairment of £12,554,148 in Mirage Machines Limited, being the difference between the investment in the company and its net assets An additional impairment chargesof £100,515 in respect of Equalizer Flange Integrity Systems Limited was also recorded Value-in-use calculations that were used in calculating the impairment charge were based on approved five year business plans and a long term growth rate of 3 0% and a weighted average cost of capital ('WACC') of 10 5%

During the year the companyy increased its investment in Actuant Middle East Holdings S L , a subsidiary undertaking in Spain by €50,000

At 31 August 2019 the company had the following subsidiaries and other investments

Name of undertaking	Country of incorporation	Principal activity	Proportion of ordinary shares held
Equalizer Flange Integrity Systems Limited	United Kingdom	On site Machining and cutting equipment	100%
Registered address	Equalizer House, Claymore Drive, Aberdeen science & Energy park, Aberdeen, AB23 8GD		
Mirage Machines Limited	United Kingdom	On site Machining and cutting equipment	100%
Registered address	Unit 601 Axcess 10 Business Park, Bentley Road South, Darlaston, West Midlands, WS10 8LQ		
Hydratight FZE	Dubai	Equipment rental and bolting services	100%
Registered address	Office 255, Building 17, Dubai Internet City, PO Box 502809, Emirate of Dubai, United Arab Emirates		
D L Ricci Limited	United Kingdom	Dormant	100%
Registered address	Unit 601 Axcess 10 Business Park, Bentley Road South, Darlaston, West Midlands, WS10 8LQ		
Hydratight Operations Limited	United Kingdom	Dormant	100%
Registered address	5 Coopies Field, Morpeth, Northumberland, NE61 6JT		
Actuant Middle East Holdings S L.	Spain	Investment company	100%
Registered address	Avda Los Frailes, 40 - Nave C & D Poligono Industrial Los Frailes, 28814 Daganzo de Arriba, Spain		

The directors believe that the carrying value of the investments is supported by their underlying net assets

Notes to the financial statements for the year ended 31 August 2019 (continued)

15 Stocks

	2019 £'000	2018 £'000
Raw materials	502	412
Work in progress	731	28
Finished goods	5,423	3,357
	6,656	3,797
Amount of stock impairment provision ouststanding on balance sheet date	400	354

16 Debtors

Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade debtors	15,281	14,783
Corporation tax	368	691
Amounts owed by group undertakings	62,088	53,162
Other debtors	194	325
Other taxation and social security	-	159
Deferred tax asset (note 19)	1,548	1,281
Prepayments and accrued income	985	1,467
	80,464	71,868
Amount of trade debtors impairment provision ouststanding on balance sheet date	482	569

Amounts owed by group undertakings are repayable on demand and accrue interest at rates between 0% and 8.0%

Debtors: amounts falling due after one year

	2019 £'000	2018 £'000
Deferred tax on pension scheme	(56)	(53)
Surplus on pension scheme (note 22)	329	310
	273	257

	2019 £'000	2018 £'000
Total debtors	80,737	72,125

Notes to the financial statements for the year ended 31 August 2019 (continued)

17 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	5,470	3,970
Amounts owed to group undertakings	39,691	39,302
Other creditors	395	859
Corporation tax	-	-
Taxation and social security	869	-
Deferred tax liability (note 19)	56	-
Accruals and deferred income	4,644	5,889
	51,125	50,020

Amounts owed to group undertakings includes loans which are all unsecured, repayable on demand and bear no interest.

18 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	121	121

Amounts owed to group undertakings are long term trading balances, bear no interest and are unsecured.

Notes to the financial statements for the year ended 31 August 2019 (continued)

19 Deferred taxation

Movement on the deferred taxation asset is as follows:

	£'000
At 1 September 2018	(1,228)
Amount credited to the profit and loss account (note 11)	(206)
Deferred tax asset transferred from group company	(54)
Amount debited to other comprehensive income relating to pension deficit	3
Foreign exchange	(7)
At 31 August 2019	**(1,492)**

Analysis of deferred taxation

	2019	2018
	£'000	£'000
Accelerated capital allowances	**(1,281)**	(1,049)
Short term timing differences	**(260)**	(230)
Foreign exchange	**(7)**	(2)
Pension surplus	**56**	53
Deferred tax asset at 18% (2018: 18%) disclosed in debtors (Note 16)	**(1,492)**	(1,228)

The 2015 Budget confirmed that the corporation tax rate will reduce to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. The rates of 19% and 18% were both enacted in November 2015.
The 2016 Budget confirmed that the corporation tax rate would reduce to 17% (and not 18%) with effect from 1/4/2020

Notes to the financial statements for the year ended 31 August 2019 (continued)

20 Called up share capital

	2019 Number	2019 £'000	2018 Number	2018 £'000
Authorised				
Ordinary shares of 1p each (2018: 1p each)	**59,100,000**	**591**	59,100,000	591
Allotted, called up and fully paid				
Ordinary shares of 1p each (2018: 1p each)	**42,653,882**	**427**	42,653,882	427

No dividends were paid during the year (2018: £40,000,000)

Notes to the financial statements for the year ended 31 August 2019 (continued)

21 Leasing commitments

At 31 August, the company had future minimum commitments under non-cancellable operating leases for each of the following periods:

	At 31 August 2019		At 31 August 2018	
	Land and Buildings	**Other**	Land and Buildings	Other
	£'000	**£'000**	£'000	£'000
Within one year	827	393	766	203
Between one and two years	766	257	766	148
Between two and five years	1,118	60	1,884	49
In five years or more	-	-	-	-
	2,711	710	3,416	400

22 Pension

Defined contribution section

The company operates its own defined contribution schemes for the benefit of its directors and employees. Assets of the scheme are held in independently administered funds. Amounts charged in respect of the scheme during the year were £574,000 (2018: £659,000). Amounts due to the scheme at 31 August 2019 were £0 (2018:£0)

Defined benefit section

The acquisition of the trade and assets from Hydratight Operations Limited has meant that Hydratight Limited has inherited a funded defined benefit section. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions are determined with the advice of independent qualified actuaries on the basis of triennial valuations. The contributions made to the scheme during the year were Nil (2018: £106,000). The contribution rate for the year ended 31 August 2019 was Nil per month (2018: £8,833 per month).

The pension cost has been assessed in accordance with the advice received from the independent actuary on the basis of the last full actuarial review of the financial status of the scheme carried out before 31 August 2019.

Notes to the financial statements for the year ended 31 August 2019 (continued)

22 Pension (continued)

Financial Reporting Standard 102

The company accounts for its pension scheme in accordance with Financial Reporting Standard 102. The pension liability detailed below is calculated using the value of the scheme's assets as at 31 August 2019 and using scheme liabilities that have been updated from those at 31 August 2018 to 31 August 2019 by a qualified actuary using the projected unit method. The following assumptions were used:

	2019 %	2018 %
Pre retirement discount rate	**1.90**	2.50
Post retirement discount rate	**1.90**	2.50
Forward inflation rate	**3.10**	3.10
Pension increase rate	**2.90**	2.90

The mortality assumptions used were as follows:

	2019 %	2018 %
Longevity at age 65		
- Men	**22.2**	22.2
- Women	**24.2**	24.1

The expected rate of return on plan assets has been set using a building block approach and based on the return expected in each asset class.

Notes to the financial statements for the year ended 31 August 2019 (continued)

22 Pension (continued)

The assets in the scheme and their expected rates of return were:

	Expected long term rate of return at 31 August 2019 %	Value at 31 August 2019 £'000	Expected long term rate of return at 31 August 2018 %	Value at 31 August 2018 £'000
Equities	1.90	719	2.50	597
Fixed interest securities				
- corporate	1.90	1,039	2.50	898
- government	1.90	330	2.50	1,319
- cash	1.90	1,954	2.50	850
Total market value of assets		4,042		3,664
Present value of scheme liabilities		(3,713)		(3,354)
Surplus in scheme		329		310
Related deferred tax liabilities (note 19)		(56)		(53)
Net pension surplus		273		257

The defined benefit section of the scheme was closed to new membership on 5 April 2004 and a new defined contribution section of the scheme was established. For those members transferring to the new section, the deficit was met by the company over a 5 year period; for those remaining in the closed defined benefit section, the deficit will be met by future contributions by the company.

Analysis of other finance expenditure:

	2019 £'000	2018 £'000
Expected return on pension scheme assets	89	85
Scheme introductions,changes,curtailments and settlements	(73)	-
Interest on pension scheme liabilities	(81)	(86)
Net expense included in interest payable (note 8)	(65)	(1)

Notes to the financial statements for the year ended 31 August 2019 (continued)

22 Pension (continued)

Analysis of amount recognised in the statement of other comprehensive income (OCI):

	2019 £'000	2018 £'000
Actuarial (loss) / gain during year	**(422)**	351
Experience adjustments on plan assets	**507**	(57)
Actuarial gain recognised in OCI	**85**	294

The cumulative actuarial losses recognised in the statement of other comprehensive income amount to £967,000 (2018: loss £1,052,000).

The actual return on scheme assets was a gain of £596,000 (2018: gain £28,000).

Reconciliation of fair value of scheme assets:

	2019 £'000	2018 £'000
At 1 September	**3,664**	3,761
Expected return on scheme assets	**89**	85
Benefits paid	**(44)**	(231)
Transfer payments	**(174)**	-
Contributions	**-**	106
Actuarial gain	**507**	(57)
At 31 August	**4,042**	3,664

Notes to the financial statements for the year ended 31 August 2019 (continued)

22 Pension (continued)

Reconciliation of present value of scheme liabilities

	2019 £'000	2018 £'000
At 1 September	3,354	3,850
Interest cost	81	86
Transfer payments	(174)	-
Scheme introductions,chnages,curtailments and settlements.	74	-
Actuarial (loss) / gain	422	(351)
Benefits paid	(44)	(231)
At 31 August	3,713	3,354

Amounts for current and previous four years:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Defined benefit obligation	(3,713)	(3,354)	(3,850)	(5,240)	(3,905)
Plan assets	4,042	3,664	3,761	4,256	3,687
Surplus / (deficit)	329	310	(89)	(984)	(218)
Experience adjustments on plan assets	507	(57)	17	533	(58)
Experience adjustments on plan liabilities	-	-	-	59	59

Notes to the financial statements for the year ended 31 August 2019 (continued)

23 Share based payments

Certain employees of the Company participate in equity compensation plans of Enerpac Tool Group (the ultimate parent Company) Employees may receive stock options or restricted stock awards, which generally vest equally across three years Awards have a maximum term of ten years Stock based awards are valued at the grant date fair value (utilizing a binomial calculation for options) and stock compensation expense is recognized over the vesting period Total stock compensation expense included in the profit and loss account for the year ended 31 August 2019 related to equity awards granted to Company employees was £361,000 (2018: £522,000).

24 Contingent liabilities and assets

The company's bankers have provided guarantees to third parties in respect of performance bonds with recourse to the company As at 31 August 2019, the total potential liability under those guarantees amounted to £150,000 (2018 £4,893,000)

25 Related party transactions

The company is a wholly owned subsidiary of Enerpac Tool Group. The company takes advantage of the exemption granted to wholly owned subsidiaries not to disclose transaction within group undertakings under the provision of FRS 102 para 33 1A.

There were no other material related party transactions.

26 Ultimate parent company and controlling party

The company's immediate parent is Enerpac Holdings Limited, a company registered in England and Wales The ultimate controlling party is Enerpac Tool Group, a company incorporated in USA.

The smallest and largest group of which Hydratight Limited is a member, and for which group financial statements are drawn up, is that headed by Enerpac Tool Group, whose consolidated financial statements are available from N86 W12500 Westbrook Crossing Menomonee Falls WI 53051.

27 Hive up of investment

The board of directors decided to hive-up the trade and assets of Mirage Machines Limited, a subsidiary company, into Hydratight Limited at 1 June 2019 at its carrying value of £3,126,866. The hive up was satisfied by intercompany debt

	£'000
Tangible assets	319
Intangible assets	2
Stocks	2,303
Trade debtors	375
Amounts owed by group undertakings	1,258
Deferred tax	16
Prepayments and accrued income	116
Bank	139
Trade creditors	(1,073)
Corporation tax	(98)
Amounts owed to group undertakings	(48)
Taxation and social security	(52)
Other creditors	(1)
Accruals and deferred income	(129)
	3,127