

Hydratight Limited

Annual report and financial statements

for the year ended 31 August 2015

Registered number: 03069889

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**Annual report and financial statements
for the year ended 31 August 2015**

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Hydratight Limited Registered number 03069889

Directors and advisers

Registered office

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

Directors

W Dennis
Actuant Europe Holdings SASU
T Braatz
Jan de Koning (resigned 01.09.15)
N Gemmell (appointed 17.08.15)

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
Donington Court
Pegasus Business Park
Castle Donington
Herald Way
East Midlands
DE74 2UZ

Strategic Report for the year ended 31 August 2015

The directors present their strategic report for the year ended 31 August 2015.

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.

On 5 May 2014 the company disposed of its rental assets to its subsidiary undertaking in Dubai, Hydratight FZE. As a result, Hydratight Limited have seen a full year impact of a reduction in trading activity leading to a decline in revenue and profitability.

The directors are satisfied with the result for the year and are confident of a continuing satisfactory performance in the current year.

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.

Strategic Report for the year ended 31 August 2015 (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.

	2015	2014
Turnover reduction*	-33.4%	-17.0%
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	10.8%	26.7%
Primary working capital percentage**	19.0%	23.4%

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

* Measured as third party turnover only.

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

On behalf of the board



W Dennis
Director
15 February 2016

Directors' report for the year ended 31 August 2015

The directors present their report together with the audited financial statements of the company for the year ended 31 August 2015.

Results and dividends

There was a profit for the financial year amounting to £3,181,000 (2014: £9,393,000 profit). The directors consider that the results for the year and the financial position at the end of the year were satisfactory. No dividends were paid or proposed in the year (2014: NIL).

The directors have prepared the financial statements on a going concern basis (note 1).

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 £1,825,000 of expenditure in the year (2014: £1,577,000) 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, equity investments, 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, Actuant Corporation Inc. 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 2015 (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:

T Braatz
W Dennis
Actuant Europe Holdings SASU
Jan de Koning (resigned 01.09.2015)
Nicholas Gemmell (appointed 17.08.2015)

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 2015 were 46 days (2014: 34 days).

Employees

The Actuant 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.

Directors' report for the year ended 31 August 2015 (continued)

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.

Statement of directors' responsibilities

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

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

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

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

Disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved under section 418 of the Companies Act 2006, the following applies:

- 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 be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

On behalf of the board



Wayne Dennis

Director

15 February 2016

Independent auditors' report to the members of Hydratight Limited

Report on the financial statements

Our opinion

In our opinion, Hydratight Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 August 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 August 2015;
- the profit and loss account and the statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

David Martin

David Martin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
15 February 2016

**Profit and loss account
for the year ended 31 August 2015**

		2015	2014
	Note	£'000	£'000
Turnover	2	43,984	61,471
Cost of sales		(31,584)	(35,230)
Gross profit		12,400	26,241
Distribution costs		(2,875)	(5,444)
Administrative expenses		(7,947)	(9,875)
Operating profit		1,578	10,922
Interest receivable and similar income	4	771	589
(Loss)/result on disposal of investments	11	(28)	-
Interest payable and similar charges	5	(23)	(27)
Profit on ordinary activities before taxation	3	2,298	11,484
Tax on profit on ordinary activities	8	883	(2,091)
Profit for the financial year	19	3,181	9,393

All results are derived from continuing operations.

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

Statement of total recognised gains and losses for the year ended 31 August 2015

		2015	2014
	Note	£'000	£'000
Profit for the financial year		3,181	9,393
Actuarial loss on pension scheme	22	(51)	(293)
Movement on deferred tax relating to pension deficit	17, 22	11	(58)
Total recognised gains and losses relating to the year		3,141	9,042

Balance Sheet
as at 31 August 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	9	69	236
Tangible assets	10	4,683	6,345
Investments	11	2,342	2,377
		7,094	8,958
Current assets			
Stocks	12	2,916	3,785
Debtors (Including £3,727,000 due after one year) (2014: £4,844,000)	13	79,583	73,391
Cash at bank and in hand		107	229
		82,606	77,405
Creditors: amounts falling due within one year	14	(33,346)	(33,181)
Net current assets		49,260	44,224
Total assets less current liabilities		56,354	53,182
Creditors: amounts falling due after more than one year	15	(8,305)	(8,203)
Net assets excluding pension asset		48,049	44,979
Pension liability	22	(242)	(314)
Net assets including pension liability		47,807	44,665
Capital and reserves			
Called up share capital	18	427	427
Share premium account	19	6,670	6,670
Profit and loss account	19	40,710	37,568
Total shareholders' funds	20	47,807	44,665

The financial statements on pages 9 to 31 were approved by the Board on 15 February 2016 and were signed on its behalf by:


W Dennis
Director

Notes to the financial statements for the year ended 31 August 2015

1 Principal accounting policies

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. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Basis of consolidation

The company is a wholly owned subsidiary of Actuant Corporation Inc. and is included in the consolidated financial statements of Actuant Corporation Inc. which are publically available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

Cash flow statement

The company has taken advantage of the exemption conferred by FRS 1 (Revised 1996) and has not produced a cash flow statement as its cash flows are included in the consolidated financial statements of Actuant Corporation (see note 26).

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 over its estimated useful life, typically 20 years. Intangible fixed assets represent the cost of any purchased goodwill.

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, 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.

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

Notes to the financial statements for the year ended 31 August 2015 (continued)

1 Principal accounting policies (continued)

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.

Research and development

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

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.

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.

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.

Lease costs

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

Pension costs

The company operates a retirement benefit scheme with a defined contribution 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 2015 (continued)**

1 Principal accounting policies (continued)

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.

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.

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.

Warranty provision

Provisions are made for product warranty commitments based on the actual cost experience incurred to date together with the average warranty years given. In addition, provision is made for any known specific rectification problems.

2 Turnover

An analysis of turnover by geographical market is given below:

	2015	2014
	£'000	£'000
UK	19,522	20,515
Europe	6,234	8,658
Americas	3,278	1,977
Middle East	4,969	17,896
Rest of World	9,981	12,425
	43,984	61,471

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

3 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Amortisation of intangible fixed assets	167	167
Depreciation of owned tangible fixed assets	2,202	2,263
Research and development expenditure	1,825	1,577
Gain on disposal of fixed assets	(39)	(90)
Services provided by the company's auditors;		
- fees payable for the audit of the company	51	57
- fees payable for the audit of other group undertakings	8	8
Hire of plant and machinery	351	510
Other operating lease rentals	583	617

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

4 Interest receivable and similar income

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Interest receivable from group undertakings	779	591
Net interest income relating to pensions	(8)	(2)
	771	589

5 Interest payable and similar charges

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Interest payable to group undertakings	23	27

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

6 Employee information

Staff costs during the year were as follows:

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Wages and salaries	12,558	14,391
Social security costs	1,312	1,667
Share based payments	254	325
Other pension costs (note 22)	628	500
	14,752	16,883

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

	Year ended 31 August 2015	Year ended 31 August 2014
	Number	Number
Production	192	237
Selling and service	52	52
Administration	86	97
	330	386

7 Directors' emoluments

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

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Aggregate emoluments (excluding pension contributions)	187	264
	187	264

Two of the directors were remunerated by other group company's during the year. 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 2015 (continued)**

7 Directors' emoluments (continued)

Emoluments of the highest paid director:

	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Total emoluments (excluding pension contributions)	147	151

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

	Year ended 31 August 2015 Number	Year ended 31 August 2014 Number
Money purchase schemes	-	-

8 Tax on profit on ordinary activities

a) Analysis of tax charge in the year

	Year ended 31 August 2015 £'000	Year ended 31 August 2014 £'000
Current tax:		
UK Corporation tax on profit on ordinary activities at 20.58% (2014: 22.17%)	29	1,800
Adjustments in respect of prior years	(814)	(117)
Total UK tax	(785)	1,683
Non-recoverable overseas tax	-	657
Total current tax	(785)	2,340
Deferred tax:		
Origination and reversal of timing differences including prior year adjustment	(111)	(264)
Change in relevant tax rate	13	15
Tax on profit on ordinary activities	(883)	2,091

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

8 Tax on profit on ordinary activities (continued)

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

The tax assessed on the profit on ordinary activities for the year is lower (2014: lower) than the standard rate 20.58% (2014:22.17%) of corporation tax, the differences are explained below:

	Year ended 31 August 2015	Year ended 31 August 2014
	£'000	£'000
Profit on ordinary activities before taxation	2,298	11,484
Profit on ordinary activities multiplied by standard rate of corporation tax At 20.58% (2014: 22.17%)	473	2,547
Expenses not tax deductible and other permanent differences	79	(106)
Group relief surrendered for no value	(648)	(807)
Timing differences	125	168
Adjustments in respect of prior years	(814)	(117)
Current tax charge for the year	(785)	1,685

c) Factors which may affect future tax charges

Changes to the UK Corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had been applied to the deferred tax balance at the balance sheet date, would be a reduction of £34,000 as at 31 August 2015 (2014: £43,000).

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

9 Intangible assets

	Purchased goodwill
	£'000
Cost	
At 1 September 2014	3,401
At 31 August 2015	3,401
Accumulated amortisation	
At 1 September 2014	3,165
Charge for the year	167
At 31 August 2015	3,332
Net book amount	
At 31 August 2015	69
At 31 August 2014	236

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

10 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 2014	19	461	15,984	45	61	16,570
Additions	-	184	484	-	(58)	610
Transfers	-	-	-	-	-	-
Disposals	-	-	(180)	(26)	-	(206)
At 31 August 2015	19	645	16,288	19	3	16,974
Accumulated depreciation						
At 1 September 2014	19	340	9,838	28	-	10,225
Charge for the year	-	65	2,133	4	-	2,202
Disposals	-	-	(110)	(26)	-	(136)
At 31 August 2015	19	405	11,861	6	-	12,291
Net book amount						
At 31 August 2015	-	240	4,427	13	3	4,683
At 31 August 2014	-	121	6,146	17	61	6,345

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

11 Investments

	Shares in group companies £'000
Cost	
At 1 September 2014	2,377
Amount written off	(35)
At 31 August 2015	2,342
Net Book Value	
At 31 August 2015	2,342
At 31 August 2014	2,377

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

At 31 August 2015 the company had the following subsidiaries and other investment:

Name of undertaking	Country of incorporation	Principal activity	Proportion of ordinary shares held
Hydratight FZE	Dubai	Equipment rental and bolting services.	100%
D.L. Ricci Limited	United Kingdom	Dormant	100%
Hydratight Operations Limited	United Kingdom	Dormant	100%

During the year, the company wrote off the investment Hydratight FZ-LLC, a subsidiary which was dissolved on 31 August 2014.

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

12 Stocks

	2015 £'000	2014 £'000
Raw materials	141	66
Work in progress	339	795
Finished goods	2,436	2,924
	2,916	3,785

13 Debtors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade debtors	11,015	10,350
Corporation tax	1,916	203
Amounts owed by group undertakings	61,098	56,754
Other debtors	244	252
Other taxation and social security	857	364
Prepayments and accrued income	390	386
Deferred tax asset (note 17)	336	238
	75,856	68,547

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

	2015 £'000	2014 £'000
Amounts owed by group undertakings	3,727	4,844

Amounts owed by group undertakings are repayable between 2016 and 2018 and accrue interest at rates between 0% and 8.0%.

	2015 £'000	2014 £'000
Total debtors	79,583	73,391

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

14 Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Trade creditors	3,815	3,455
Amounts owed to group undertakings	25,878	26,662
Taxation and social security	461	480
Other creditors	447	182
Accruals and deferred income	2,745	2,402
	33,346	33,181

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

15 Creditors: amounts falling due after more than one year

	2015	2014
	£'000	£'000
Amounts owed to group undertakings	8,305	8,203

Amounts owed to group undertakings includes a loan repayable in October 2016 and bear an interest rate of 5.13%. The remaining amounts are long term trading balances. All amounts are unsecured.

16 Loans and other borrowings

	2015	2014
	£'000	£'000
5.13% loan	2,430	2,408
Maturity of financial liabilities		
	2015	2014
	£'000	£'000
In more than one year, but not more than two years	2,430	2,408

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

17 Deferred taxation

Movement on the deferred taxation asset is as follows:

	£'000
At 1 September 2014	(203)
Amount credited to the profit and loss account (note 8)	(98)
Credited to the statement of total recognised gains and losses	(11)
At 31 August 2015	(312)

Analysis of deferred taxation

	2015	2014
	£'000	£'000
Accelerated capital allowances	(173)	(104)
Short term timing differences	(163)	(133)
Deferred taxation excluding deferred taxation on pension asset (note 13)	(336)	(238)
Deferred taxation liability on pension asset	24	34
Net deferred taxation asset	(313)	(203)

Deferred taxation has been calculated at 20% (2014: 21%) following the reduction in the UK standard rate of tax from 23% to 21% with effect from 1 April 2014 and to 20% from 1 April 2015.

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

18 Called up share capital

	2015	2015	2014	2014
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of 1p each (2014: 1p each)	59,100,000	591	59,100,000	591
Allotted, called up and fully paid				
Ordinary shares of 1p each (2014: 1p each)	42,653,882	427	42,653,882	427

19 Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At 1 September 2014	6,670	37,568
Actuarial loss on pension scheme, net of tax	-	(40)
Profit for the financial year	-	3,181
At 31 August 2015	6,670	40,709

20 Reconciliation of movements in total shareholders' funds

	2015	2014
	£'000	£'000
Profit for the financial year	3,181	9,393
Actuarial loss on pension scheme, net of tax	(40)	(351)
Net increase in shareholders' funds	3,141	9,042
Opening shareholders' funds	44,665	35,623
Closing shareholders' funds	47,806	44,665

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

21 Leasing commitments

At 31 August 2015, the group had annual commitments under non-cancellable operating leases expiring as follows:

	At 31 August 2015		At 31 August 2014	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Within one year	-	-	-	204
Between one and two years	34	-	-	-
Between two and five years	102	285	136	159
In five years or more	250	-	250	-
	386	285	386	363

22 Pensions

Defined contribution section

The group 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 £628,000 (2014: £500,000). Amounts due to the scheme at 31 August 2015 were £122,000 (2014: £113,000).

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 £122,000 (2014: £136,008). The contribution rate for the year ended 31 August 2015 was £10,167 per month (2014: £11,334 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 2015.

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

22 Pensions (continued)

Financial Reporting Standard 17

The company accounts for its pension scheme in accordance with Financial Reporting Standard 17. The pension liability detailed below is calculated using the value of the scheme's assets as at 31 August 2015 and using scheme liabilities that have been updated from those at 31 August 2014 to 31 August 2015 by a qualified actuary using the projected unit method. The following assumptions were used:

	2015 %	2014 %
Pre retirement discount rate	3.80	3.90
Post retirement discount rate	3.80	3.90
Forward inflation rate	3.30	3.40
Rate of increase in pensionable salaries	N/A	N/A
Other short term timing differences	3.00	3.10

The mortality assumptions used were as follows:

	2015	2014
Longevity at age 65		
- Men	22.0	22.0
- Women	24.4	24.3

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.

The company expects to contribute £122,000 to the pension plan in the next financial year.

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

22 Pensions (continued)

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

	Expected long term rate of return at 31 August 2015 %	Value at 31 August 2015 £'000	Expected long term rate of return at 31 August 2014 %	Value at 31 August 2014 £'000
Equities	3.80	108	3.90	118
Fixed interest securities				
- corporate	3.80	3,503	3.90	3,384
- government	3.80	22	3.90	6
- cash	3.80	54	-	-
Total market value of assets		3,687		3,508
Present value of scheme liabilities		(3,905)		(3,788)
Deficit in scheme		(218)		(280)
Related deferred tax liability		(24)		(34)
Net pension deficit		(242)		(314)

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:

	2015 £'000	2014 £'000
Expected return on pension scheme assets	139	149
Interest on pension scheme liabilities	(147)	(151)
Net income included in interest payable	(8)	(2)

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

22 Pension (continued)

Analysis of amount recognised in the statement of total recognised gains and losses (STRGL):

	2015 £'000	2014 £'000
Asset (loss) / gain during year	(58)	144
Experience gains arising on the scheme liabilities	59	106
Changes in assumptions underlying the present value of the scheme liabilities	(52)	(543)
Actuarial loss recognised in STRGL	(51)	(293)

The cumulative actuarial losses recognised in the statement of recognised gains and losses amount to £1,143,000 (2014: loss £1,091,000).

The actual return on scheme assets was a gain of £81,000 (2014: gain £293,000).

Reconciliation of fair value of scheme assets:

	2015 £'000	2014 £'000
At 1 September	3,508	3,106
Expected return on scheme assets	139	149
Benefits paid	(24)	(27)
Contributions	122	136
Actuarial (loss) / gain	(58)	144
At 31 August	3,687	3,508

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

22 Pension (continued)

Reconciliation of present value of scheme liabilities

	2015 £'000	2014 £'000
At 1 September	3,788	3,227
Interest cost	147	151
Actuarial (gain)/loss	(6)	437
Benefits paid	(24)	(27)
At 31 August	3,905	3,788

Amounts for current and previous four years:

	2015 £,000	2014 £,000	2013 £,000	2012 £,000	2011 £,000
Defined benefit obligation	(3,905)	(3,788)	(3,227)	(2,928)	(2,176)
Plan assets	3,687	3,508	3,106	2,992	2,601
(Deficit) / surplus	(218)	(280)	(121)	64	425
Experience adjustments on plan assets	(58)	144	(43)	141	(139)
Experience adjustments on plan liabilities	59	106	(35)	(45)	(235)

**Notes to the financial statements
for the year ended 31 August 2015 (continued)**

23 Share based payments

Certain employees of the Company participate in equity compensation plans of Actuant Corporation Inc.(the ultimate parent Company). Employees may receive stock options or restricted stock awards, which generally vest 50% after three years and 50% after five 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 2015 related to equity awards granted to Company employees was £254,000 (2014: £325,000).

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 2015, the total potential liability under those guarantees amounted to £227,000 (2014: £207,000).

25 Related party transactions

The company is a wholly owned subsidiary of Actuant Corporation Inc. It has taken advantage of the exemption conferred by FRS 8 in respect of disclosing transactions with other group members that are wholly owned.

There were no other material related party transactions.

26 Ultimate parent company and controlling party

The company's immediate parent is Actuant Limited, a company registered in England and Wales. The ultimate controlling party is Actuant Corporation Inc, 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 Actuant Corporation Inc. whose consolidated financial statements are available from N86 W12500 Westbrook Crossing Menomonee Falls WI 53051.