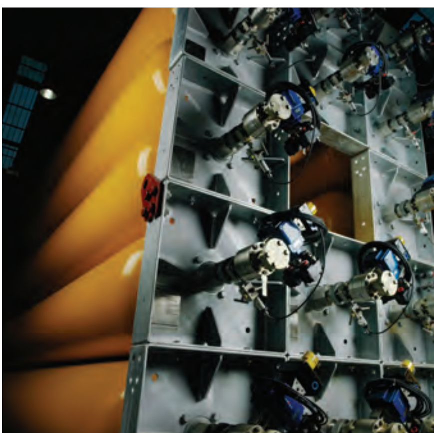
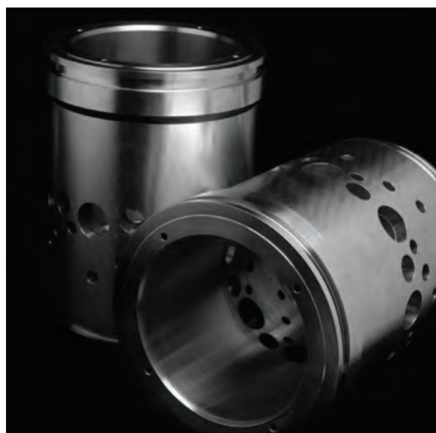
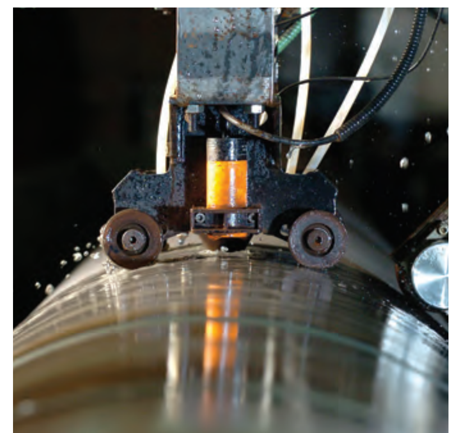
Pressure Technologies plc
Annual Report 2010

A leading designer and manufacturer of engineering solutions for high pressure markets







Overview
01 Business highlights
02 Divisions and markets
04 Chairman's statement

Review
08 Chief Executive's statement

Corporate information
14 Board of Directors
16 Directors' report

Financial information
21 Report of the Independent Auditor to the members of Pressure Technologies plc
22 Consolidated statement of comprehensive income
23 Consolidated balance sheet
24 Consolidated statement of changes in equity
25 Consolidated statement of cash flows
26 Accounting policies
32 Notes to the consolidated financial statements
50 Company balance sheet
51 Notes to the Company financial statements

Pressure Technologies plc is a leading designer and manufacturer of engineering solutions for high pressure markets.

We operate three distinct yet complementary divisions, Chesterfield Special Cylinders, Chesterfield BioGas and Engineered Products.

The Group works in partnership with its customers to design, develop and manufacture the best solutions for their cylinder and pressure system needs.

Financial Highlights

- **Revenue of £21.7 million (2009: £26.2 million)**
- **Operating profit at £3.5 million (2009: 5.0 million)**
- **Pre-tax profit of £3.5 million (2009: £5.1 million)**
- **Basic earnings per share 22.3p (2009: 32.1p)**
- **Year end net cash, after acquisition of Al-Met, £6.5 million (2009: £7.9 million)**
- **Final dividend of 4.8p per share, giving a total dividend increased by 9% to 7.2p (2009: 6.6p)**

Business Highlights

- **Transformation of Group through strategic diversification programme well underway with acquisition of Al-Met and, post year end, Hydratron**
- **Chesterfield BioGas successfully completed the first UK biogas to grid project**
- **Operating management and engineering resources strengthened and capital investment and research and development continues as we invest for the future**
- **The global economic downturn impacted 2010 sales and profits**
- **Chesterfield Special Cylinders anticipating a difficult first half of 2011 with recovery of deepwater oil and gas markets delayed by the BP Macondo oil spill but signs of upturn in orders for the second half year**
- **Acquisitions and Chesterfield BioGas expected to show growth in 2011**
- **Balance sheet remains strong**
- **Operating cash flows and confidence in a medium term recovery support dividend and future acquisitions**

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

Engineering solutions for high pressure markets.

Divisions and markets

Chesterfield Special Cylinders

The Group's largest subsidiary, Chesterfield Special Cylinders Limited ("CSC") designs, manufactures and offers retesting and refurbishment services for a range of speciality high pressure, seamless steel gas cylinders for global energy and defence markets. The business is conducted under the "Chesterfield" brand which is a long established name in the cylinders and specialised pressure vessel market.

Alternative Energy

Chesterfield BioGas provides turnkey solutions for the cleaning, storage and dispensing of biomethane, produced from waste water treatment and anaerobic digestion of organic waste and fuelling systems for compressed natural gas vehicles. The business has a five year exclusive license dated 31 March 2009 to market, sell and manufacture biogas upgrading equipment designed by Greenlane Biogas of New Zealand.

Engineered Products

The Engineered Products division was formed when the Group purchased Al-Met Ltd in February 2010. The division is comprised of specialist niche manufacturers of pressure systems and pressure system components other than cylinders.

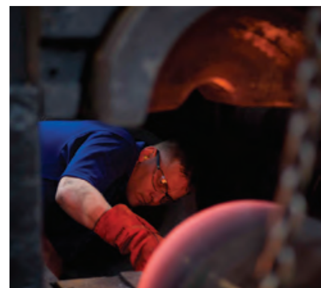
Chesterfield Special Cylinders ("CSC")

Oil and Gas

CSC's core activity is the supply of air pressure vessel assemblies for motion compensation systems on semi-submersible rigs and drill ships in deep-sea oil and gas markets.

The depletion of existing oil and gas resources, allied to increases in energy demand, has made sourcing more remotely located supplies of oil and gas, such as in deep-sea locations, more economically viable.

A downturn in this market in 2010 impacted Group results and recovery has been delayed by events in the Gulf of Mexico with the BP Macondo oil spill.



Naval

CSC has a long history of designing and manufacturing high pressure system cylinders for Naval applications both in the UK and internationally.

2010 saw deliveries of major projects for the Spanish and French navies and contract wins for an Astute Submarine and two aircraft carriers in the UK. As well as supplying cylinders for new vessels there is also a market for re-test and spares.

Aerospace

CSC has manufactured cylinders for aerospace applications ever since their first use on British manufactured aircraft in the early 20th century and has a hard won reputation for innovation and safety.

CSC has a full capability to design, manufacture and provide in-service support to our customers. Whilst the RAF is a key customer, we also supply to major defence contractors for a wide range of aircraft. Applications include life-support, fire fighting and backup pneumatic systems.

In service support has so far been confined to military markets. CSC is now in the process of obtaining Civil Aviation Authority approvals to enter the civil aerospace support service market.

A programme to develop lightweight composite cylinders for this market is underway.

Industrial projects

CSC's cylinder design and manufacturing capability is well respected and we participate on a wide range of industrial projects around the world. This is as diverse as trailers for transporting hydrogen in Europe to high pressure storage for the Indian space programme.

Not only is the product range diverse but the market is worldwide and our team of qualified sales engineers is augmented by agents in Europe, India, the Far East and Australia.

The ability to supply complex bespoke cylinder assemblies has been a key factor in our ability to win contracts and the complexity of our product offering has continued to be developed.

There is also a thriving high pressure trailer retest and refurbishment business supporting the UK high pressure trailer market.

Alternative Energy

Energy from waste

Chesterfield BioGas was set up to develop the UK market for biogas upgrading equipment. Upgrading equipment produces almost pure methane, called "biomethane", for use as an alternative vehicle fuel or injection into the national gas grid.

Chesterfield BioGas showed major progress in the year supplying the first biogas upgrader producing biomethane to the national gas grid and leasing a compressed natural gas filling station to Sheffield Council.

These two projects demonstrate the potential in the two pronged growth strategy for this division, providing high quality biogas upgrading equipment and vehicle fuelling systems. The latter gives cross selling opportunities with CSC manufacturing bulk storage and trailers for Chesterfield BioGas.

Further progress is expected in this division in 2011 in terms of orders won with 2012 showing the resulting growth in sales for this to become an established, profitable business.

Engineered Products

High integrity products

The division is comprised of specialist niche manufacturers of pressure systems and pressure system components.

Formed in February 2010 with the purchase of Al-Met, a second leg was added to the division shortly after the financial year end with the purchase of Hydratron.

Both businesses have niche positions in the oil and gas market but are much less narrowly focused than the CSC business in this market and are showing growth.

The Group is continuing to search for other complementary acquisitions for this division, the criteria being that, as well as being in pressure products, targets must be niche businesses with potential for growth.

Chairman's statement
by Richard Shacklady

The process of diversification, both organically and through strategic acquisition, is transforming the Group. It will emerge better balanced, both in terms of products and markets, and the coming year will see this transformation take further shape.

The Group has produced a solid set of results for the period, despite the severe downturn across our main market sectors. The general economic downturn, which began to affect the business in 2009, was compounded by the BP Macondo oil spill in the Gulf of Mexico. This had a massive impact on the offshore deepwater oil and gas sector and, undoubtedly, set back the recovery in deepwater drilling investment activity by approximately 12 months. I am pleased to report, however, that we are now seeing clear signs of renewed activity in the sector.

Whilst the offshore deepwater oil and gas market will continue to play a major role in the Group's future, I am pleased to report that we have made progress with our diversification strategy. Al-Met Limited ("Al-Met") was successfully acquired in February 2010 and, following the year end, we announced the acquisition of Hydratron Limited ("Hydratron"), its subsidiary in the USA and marketing facility in Australia. Hydratron is a designer and manufacturer of high pressure measuring and control equipment, which supplies market leading OEMs in the process flow and oil and gas industries. Al-Met and Hydratron combine to form our embryonic Engineered Products Division.

Chesterfield BioGas, our organically developed renewable energy division, delivered and commissioned its first biogas upgrade plant on schedule. This plant is performing to expectation and now pumping gas directly to the UK gas grid. Further diversification activities are underway.

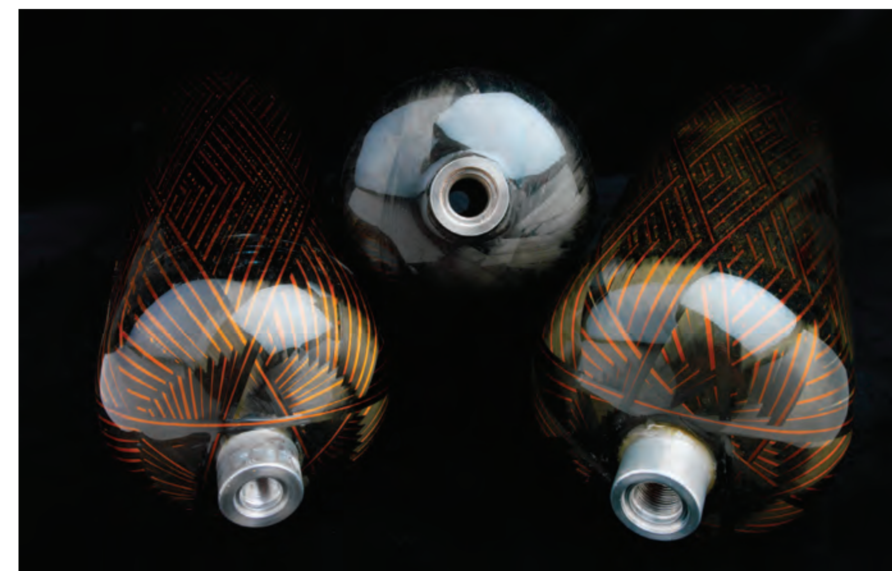
Results

Revenue for the year ended 2 October 2010 fell by 17% to £21.7 million from £26.2 million in 2009. Operating profit reduced from £5.0 million in the previous year to £3.5 million. We have continued to invest in new products and processes throughout the year which we believe will benefit the business over the medium and long term; the Chief Executive's Report details these programmes.

Profit before taxation was £3.5 million (2009: £5.1 million), giving basic earnings per share of 22.3p (2009: 32.1p).

A continued focus on working capital management is providing the Group with a strong balance sheet, allowing us to undertake and fund acquisitions and development programmes from cash flow. Debtor control is being negatively affected by European Government defence contractors delaying payment on shipments. After acquiring Al-Met, net cash decreased by £1.4 million over the year but remains robust at £6.5 million (2009: £7.9 million).

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53



Prototype composite aerospace cylinders for the next generation of military aircraft.

Composites

The next generation of military aircraft demand high performance, durable, lightweight components. Our cylinder division is developing a fully composite cylinder with a US based materials specialist.

In tandem with this, we are developing a composite Ultra-Large Cylinder for weight critical applications in the bulk storage and transportation of high-pressure gases markets. This work is complemented by our continued technical involvement on ISO working groups developing international standards for this type of cylinder.

Given our continued strong balance sheet and our confidence in the medium term prospects for the Group, the Board is proposing a final dividend of 4.8 pence per share, giving a total dividend for the year of 7.2 pence per share – a significant increase of 9%. If approved, this dividend will be paid on 11 March 2011 to shareholders on the register at the close of business on 18 February 2011.
The ex-dividend date will be 16 February 2011.

Strategy

The Board has continued to update and review its Business Growth Strategy over the year under review. The prime objective remains unaltered – to penetrate, by both acquisition and organic development, select growth sectors which offer synergies to our core business. Despite the current setbacks in core markets, we remain committed to the global energy markets and, in particular, the deepwater offshore segment. Through the acquisitions made thus far, we have broadened our participation in the oil and gas industry by becoming suppliers to the wellhead equipment segment. This sector has rebounded from a low in 2009 and is now extremely active. Oil prices sustained above $70 dollars per barrel are expected to lead to continued increase in activity in the oilfield equipment sector.

Our dividend policy reflects the Board's confidence in the Group, its strategy and ability to flex with prevailing market conditions to secure leading positions in growth sectors of our chosen markets, as well as its confidence in the medium term recovery of the deepwater oil and gas business.

During the year, we strengthened our capability in the industrial gases markets and are now able to offer a complete outsource storage and transportation package to the major industrial gases producers. This should result in increased penetration of the sector, including involvement in the hydrogen gas market which has significant potential as an alternative fuel.

The Group continues to prioritise and fund R&D programmes that will support future organic growth in the business. As part of this organic development, we have increased our design engineering capability which is central to the development of new products and market offerings for both current and potential customers. The Group is also funding an R&D programme with a US partner to develop composite material, high strength cylinders.

Chesterfield BioGas has been highly active, strengthening its profile in the biogas upgrade segment and also in the market for the transportation and dispensing of compressed natural gas ("CNG") as an alternative green fuel for road vehicles. The first biogas upgrade plant was delivered and installed with nationwide media coverage. Our first storage and dispensing equipment is also being successfully operated by municipal authorities. The outstanding tender list at Chesterfield BioGas is over £10 million and our successful delivery of these first contracts gives grounds for real optimism in this sector, despite the Government delaying announcements on the Renewable Heat Incentive ("RHI").

The biogas upgrade market in Northern Europe, particularly in Germany and Scandinavia, remains very active and we believe that the UK will follow suit and use biogas to reduce the dependence on imported natural gas.

We have significant firm contracts in the naval defence sector, which reach well into 2011. Orders for the Royal Navy's Astute 5 submarine have now been booked. Our expertise in this very demanding market sector is acknowledged globally and leaves the Group well placed to secure further business worldwide.

People
The Board and its committees play a key role in both corporate governance and the development and implementation of Group strategy. All the Directors play a full role in these activities attending both regular and ad hoc meetings, as the situation demands.

The Group continues to invest in its employees through apprenticeships and structured training programmes. It is, therefore, appropriate to acknowledge, once again, the dedication of our operational Directors and the skill and commitment exhibited by all our employees in striving for success. Changes in the business have required increased flexibility from our employees to meet customer requirements, albeit that we have needed to reduce manning at the cylinder manufacturing business due to the reduced market demand.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

A number of co-operation and cross selling opportunities exist within the Group.

This trailer was designed and built by CSC for a Chesterfield BioGas compressed natural gas fuelling project, to be supplied to Greenwich Council in 2011.

Prospects
Whilst shipments to the deep water oil and gas sector are likely to remain subdued in the current financial year, there are clear indicators from our customers and leading OEMs that a recovery in activity is underway - primarily in the Brazilian and West African markets. This will feed through to an increase in demand for new equipment as deepwater drilling increases. In this regard, we are beginning to see an upturn in orders.

In our Engineered Products Division, the order intake at Al-Met is accelerating and early indications from Hydratron confirm a similar upward trend. There are further organic and acquisition opportunities within the oil and gas sector that we are currently assessing and we believe that increasing global energy demands will support growth in this large and complex market sector over the medium to long term.

Having secured and supplied its first orders, Chesterfield BioGas appears poised to enter the next phase of growth with further orders likely for both upgrading and storage/dispense equipment.

The process of diversification, both organically and through strategic acquisition, is transforming the Group. It will emerge better balanced, both in terms of products and markets, and the coming year will see this transformation take further shape. We are seeing a flow of better quality acquisition candidates both in the UK and overseas. Given our strong balance sheet and cash resources, we are well positioned to exploit opportunities as they arise and the Board intends to capitalise on those in niche markets.

Our dividend policy reflects the Board's confidence in the Group, its strategy and ability to flex with prevailing market conditions to secure leading positions in growth sectors of our chosen markets, as well as its confidence in the medium term recovery of the deepwater oil and gas business.

Finally, in a year which brought about significant change in our shareholder base, I would like to thank all shareholders for their support.

Richard Shacklady
Chairman
7 December 2010

Chief Executive's statement
by John Hayward

This was a tough year for Pressure Technologies in which the impact of global financial conditions finally hit the business.

As anticipated last year, this was a tough year for Pressure Technologies in which the impact of global financial conditions finally hit the business. Market conditions worsened further in the year for the Chesterfield Special Cylinders ("CSC") business as confidence in deepwater drilling was shaken by events in the Gulf of Mexico. There are signs of this market returning and whilst the order book in CSC was under £10 million at the year end, quotations and tenders were at an all time high, well in excess of £20 million. Our Chesterfield BioGas business had its first sales in the year and we completed a first acquisition in February and a second after the year end.

The key points for the year are:

Chesterfield Special Cylinders ("CSC")
Markets
A downturn in our largest market, Ultra-Large Cylinders for the oil and gas market had been anticipated as a result of the effects of the global recession. CSC supply into two sectors of this market, (i) air pressure vessels ("APVs") for deepwater oil rigs and drillships and (ii) support services.

Our main sector, APVs, was in line with our forecasts but 40% down on 2009. Half of this was due to work lost in South Korea to a South Korean competitor and the balance was due to the general downturn in the market. The sinking of the Deepwater Horizon in the Gulf of Mexico dented market confidence at a point when new orders, particularly for projects for Brazil, had been expected to materialise. The second half order intake was severely affected by this and we exited the year with no orders for this market for 2011 but a significant amount of live projects at the tender stage for the Brazilian market. Since the year end, two major orders have now been won in this market with delivery in 2011 and we are starting to see a pattern of potential orders through into 2012 at a rate of one project per quarter. This is similar to what we experienced in the previous cycle of rig building and, if the same pattern is followed, we would expect to see projects brought forward as confidence returns to market.

The support services sector, which consists of Ultra-Large Cylinders for diving support, a range of other support vessels, cable laying equipment and cranes, was more heavily affected by the downturn than we had forecast and a number of projects for which we were confident of receiving orders in 2010 were either cancelled or postponed. The positive news is that we have received orders for a number of small projects for 2011 delivery, so there are clear signs that this market is in recovery. The largest potential projects in this sector are still live but the timing of these is such that orders received in 2011 are unlikely to result in sales before 2012.

The naval market has proved more robust and we successfully delivered the first batches of cylinders for France and Spain in 2010. We won the contracts for Astute 5 and the UK aircraft carriers for delivery in 2011 and we have a number of enquiries for spares from the UK and overseas customers.

Across other Ultra-Large Cylinder product markets: there was a marked downturn in the new trailer market but this is expected to recover in 2011 and the level of quotations supports this; the market for "specials" remained about constant with a large hydrogen project for Scandinavia being the highlight of the year.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

The Chesterfield BioGas upgrader at Didcot, the UK's first plant producing biomethane for injection to the national gas grid.

BioGas

Chesterfield BioGas showed major progress in the year supplying the first biogas upgrader producing biomethane to the national gas grid and leasing a compressed natural gas filling station to Sheffield Council. These two projects demonstrate the potential in the two pronged growth strategy for this division, providing high quality biogas upgrading equipment and vehicle fuelling systems.

Further progress is expected in this division in 2011 in terms of orders won with 2012 showing the resulting growth in sales for this to become an established, profitable business.

Our trailer refurbishment business continued to progress but the insolvency of one of our major subcontractors hit the last quarter's deliveries. This gave us the opportunity to bring key management from the subcontractor in-house, allowing us to take better control of the supply chain.

The Small Cylinder part of the business experienced some contraction in military aerospace orders but our new, dedicated sales team within this business obtained orders from 20 new customers in the year. The second half of the year was focused on preparation for entering the civil aerospace retest market and, subject to obtaining CAA approval in the second quarter of 2011, we expect to enter this market in the second half of 2011. Additionally, prototype type IV composite cylinders were exhibited at Aero Engineering 2010, which attracted significant interest from the aerospace industry and we look to progress this project in 2011.

The work done on developing technical standards for in-situ retest of cylinders (see below) has been followed up with discussions in the oil and gas support services sector and the UK industrial gases sector. CSC is now actively promoting this service to our customer base and we anticipate our first contracts for this service will be obtained in 2011.

The purchase of Al-Met in February 2010 and Hydratron shortly after the financial year end in October 2010 marks the formation of our Engineered Products Division. This will be made up of specialist niche manufacturers of high pressure systems and components other than cylinder products.

Operations
The management of CSC was reorganised in the summer. A new general manager, Mick Pinder, was brought in to run the business on a day to day basis. This move was made to allow me to concentrate on Group issues but I retain the role of executive Chairman of CSC. The general manager has responsibility for sales and operations and, therefore, Philip Redfern, Sales and Marketing Director of CSC, has moved into a Group role as functional Director for Sales and Marketing and CSC Operations Director, John Brown, has become the functional Director of Engineering for the Group.

Following these changes, we have instituted a major relaunch of the "lean manufacturing" project in CSC. This is aimed at delivering significant productivity improvements when production volumes recover. Since the year end, we have reduced manufacturing headcount by 18% to 37 operatives from 45 due to the fall off in work giving a good base for delivery of this productivity gain.

Capital expenditure in CSC for the year totalled £643,000. The major areas of investment were focused on the creation of an aerospace standard bay in the factory including a "clean room" for processing oxygen cylinders and valves, additional test facilities for naval cylinders and in-situ inspection and a replacement of the old computer servers with a modern VMS system.

In 2011, we will focus on the implementation of "lean manufacturing", capital expenditure will be concentrated on the improvement of process capability on the forge and hammers and there will be a constant drive on cost.

Technical and development
The engineering complexity of our product offering continued to increase during the year and a further design engineer was added to deal with the increase in work arising from this and a general increase in tender activity in the second half of the financial year. We continued with a number of development projects as part of the diversification strategy within CSC.

Major development projects in the year included:

- continuation of the development of an ISO standard for Ultra-Large seamless composite cylinders and reviewing the standard Ultra-Large Cylinder ISO standard;
- development of a British Standard for in-situ inspection of high pressure cylinders;
- development of designs for the "next generation" of tube trailer for the UK market;
- commencement of a development programme for type IV composite cylinders (composite liner with carbon fibre wrap) for the aerospace and Ultra-Large markets; and
- development of a clean room facility for retest of civil aerospace cylinders and commencement of application for CAA approval for the facility.

All the above projects will continue into 2011.

Chesterfield BioGas
As our Chairman has set out, we achieved the distinction of providing the first equipment for cleaning biogas to produce biomethane for injection into the UK gas grid. Whilst this is significant in terms of the start of a new industry in the UK, the slow progress in the development of this market is frustrating on several levels. First and foremost, the absence of a confirmed incentive structure under the Renewable Heat Incentive ("RHI") to allow this technology to compete with Combined Heat and Power projects has been the main cause of the slow development of the market. Secondly, the non-acceptance of the results of developments in Western Europe where this is now a relatively mature technology has been costly both in terms of money and time lost on pilot projects and unnecessary research. There appears to be a suspicion in the UK that the laws of physics and chemistry change when you cross the English Channel. However, a number of large utilities are now interested in rapid expansion of the technology and we anticipate the trigger for this will be the publishing of the final version of the RHI expected in December 2010. Planning and tender issues mean that substantial growth in this market will not occur before 2012.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

Precision machining of carbide and superalloy matrix materials and the skills to combine these to create complex wear resistant parts gives Al-Met a niche position with its customers.

Al-Met

Pressure Technologies' first acquisition in February 2010 and the first company in the Group's Engineered Products division, Al-Met is a niche manufacturer of specialised, precision engineered valve and flow control wear parts for global wellhead and subsea equipment OEMs in the oil and gas market.

The company exemplifies the Group's acquisition strategy: to purchase niche businesses in high pressure equipment markets with potential for growth.

The other major market for Chesterfield BioGas, vehicle fuelling systems, is expected to show progress in 2011. In 2010, we supplied a refuelling skid to Sheffield Council on a short-term lease as a proof of concept to demonstrate that CNG was a practical fuel for use by council fleets. We already have an order for a CNG trailer based refuelling system for Greenwich Council which will be delivered in December 2010 and further orders for refuelling systems for commercial vehicle operators are expected in the short-term.

During the year, we added a full-time project engineer to the Chesterfield BioGas team so that all design work can now be undertaken without drawing on CSC resources. The use of subcontractors has enabled us to meet current demands without adding significant fixed cost into the business. These will be replaced by permanent staff when justified by the volume of work; we do not anticipate any problems in finding suitable people for the business.

In summary, 2010 was a major step forward for Chesterfield BioGas, 2011 is expected to show significant growth in orders won with 2012 showing the resulting growth in sales for this to become an established profitable business unit.

The speed of diversification must be accelerated to reduce the variability in profits if we are to realise long-term sustainable share price growth.

Engineered Products Division
The purchase of Al-Met in February 2010 and Hydratron shortly after the financial year end in October 2010 marks the formation of our Engineered Products Division. This will be made up of specialist niche manufacturers of high pressure systems and components other than cylinder products.

Al-Met's products are used in high-pressure choke and flow control valves, designed to regulate flow volumes in extremely demanding applications in the subsea and surface oil and gas industries. The business, which was established in 1985, has developed a leading edge capability in precision machining carbides and superalloy matrix materials. The ability to combine high alloy steels with tungsten carbide inserts and specialised coatings gives Al-Met its niche position with its customers, global wellhead and subsea equipment OEMs. Since acquiring the business, we have been positioning Al-Met for the anticipated recovery in this sector and, over the last quarter of the financial year, sales orders increased markedly giving a firm platform for growth in 2011. Additional sales and accounting resource has been put into the business and a further salesman will be employed in 2011 to develop new customers.

Hydratron designs, manufactures and sells a range of air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs. The business was established in 1981 and it has established itself as a leading supplier of quality high pressure equipment to the oil and gas industries. Immediately after acquisition, the business relocated into modern manufacturing premises in the UK and there is also a similarly modern facility in Houston, Texas. Like Al-Met, Hydratron has seen significant growth in sales orders over recent months.

Hydratron brings a number of synergies to the Group. Its fabrication expertise in the UK will be used to assemble biogas upgrade equipment for Chesterfield BioGas. There is sufficient space in the new factory for this and the available time as the operation is currently single shifted. The Houston location will give sales support and a US based stock location for Al-Met.

Both businesses had annualised turnover around £4 million each in the year prior to acquisition. With the current level of market growth they will materially contribute to Group results in 2011.

Acquisitions
2010 was a busy year for acquisitions with Al-Met purchased in February and the Hydratron deal nearing completion at the financial year end. We are assessing other opportunities as we look to strengthen our position in engineered products to continue the diversification of the Group and reduce our reliance on Ultra-Large Cylinders and, more specifically, the deepwater oil rig market. The speed of diversification must be accelerated to reduce the variability in profits if we are to realise long-term sustainable share price growth.

Outlook
In conclusion, 2010 was a tough year and the issues affecting CSC are expected to continue and worsen in the first half of 2011. The good news is that orders are starting to flow again from the deepwater oil and gas market and we expect an improving trend in CSC from the second half of 2011. Whilst the improving trend will be insufficient to bring performance back to 2010's level, this, allied to growth in our Engineered Products Division, the expected pick up in orders for Chesterfield BioGas and further possible acquisitions, gives a positive outlook for 2012 and beyond.

John Hayward
Chief Executive
7 December 2010

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

The Hydratron product range encompasses pressure systems components, such as eye-catching pumps (top) and highly complex pressure systems, such as hydraulic control panels (bottom).

Hydratron

Purchased shortly after the financial year end, Hydratron is the second element of the Engineered Products division. It designs and manufactures a range of air operated hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs. The business operates out of modern facilities in Altrincham in the UK and Houston, Texas.

Hydratron's pressure system fabrication expertise will be used to assemble upgrader equipment for Chesterfield BioGas. Al-Met will receive sales support in the USA from Hydratron's Houston facility.

Board of Directors

The Board and its committees play a key role in both corporate governance and the development and implementation of Group strategy. All the Directors play a full role in these activities attending both regular and ad hoc meetings, as the situation demands.

RL Shacklady
Non-executive Chairman (62)
Richard is a partner with RLS Associates where he works as a management consultant. He joined the Pressure Technologies business at the time of the MBO in 2004. He has extensive experience of working in several roles in the engineering sector, latterly as Managing Director of Doncasters UK Holdings plc. Richard is also the Non-executive Chairman of Langley Alloys Limited.

JTS Hayward
Chief Executive (49)
John has worked for the Company for 11 years, initially as Finance Director of Chesterfield Cylinders Limited before assuming additional directorial responsibility for the then Special Products division in 2000. He led the MBO in 2004 and then assumed the role of Chief Executive. John is a qualified accountant and has previously worked for Boots, Courtaulds, United Engineering Steels and T&N. Latterly at T&N, he worked as an internal consultant and was brought to Chesterfield Cylinders as a result of his experience of automotive sector management techniques. He holds a degree in Physics from Oxford University.

TJ Lister
Finance Director (55)
James joined the Company in 2008. His previous engineering industry experience includes seven years with The 600 Group Plc in roles both as Group Financial Controller and as Finance Director of 600 Lathes. Prior experience included 15 years with Bridon in a variety of roles including Group Development Manager where he acted as the in house mergers and acquisitions manager. James is a qualified chartered accountant.

PS Cammerman
Non-executive Director (68)
Philip has over 20 years industrial experience in engineering and hi-tech industries and has worked in both the UK and USA. He has spent the last 23 years in the venture capital industry, playing a major part in the development of the YFM Group into one of the most active investors in UK SME's. He retired from all YFM Group businesses in April 2008. Philip is Chairman of the remuneration committee.

NF Luckett
Non-executive Director (68)
A qualified chartered accountant, Nigel is a former partner of Thomson McLintock & Co and latterly KPMG and has over 40 years of extensive corporate finance, insolvency and auditing experience. Since his retirement from KPMG in 1995 he has had a number of Non-executive Director and Chairman positions in the broad engineering sector. Nigel is Chairman of the audit committee.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

RL Shacklady
Non-executive Chairman

JTS Hayward
Chief Executive

TJ Lister
Finance Director

PS Cammerman
Non-executive Director

NF Luckett
Non-executive Director

Company information

Directors
RL Shacklady – Non-executive Chairman
JTS Hayward – Chief Executive
TJ Lister – Finance Director
PS Cammerman – Non-executive Director
NF Luckett – Non-executive Director

Secretary
TJ Lister

Registered office
Meadowhall Road
Sheffield
S9 1BT

Registered number
06135104

Website
www.pressuretechnologies.co.uk

Nominated advisor
Fairfax I.S. PLC
46 Berkeley Square
London, W1J 5AT

Auditors
Grant Thornton UK LLP
Enterprise House
115 Edmund Street
Birmingham
West Midlands, B3 2HJ

Solicitors
hlw Commercial Lawyers LLP
Commercial House
Commercial Street
Sheffield, S1 2AT

Bankers
Bank of Scotland
7 Leopold Street
Sheffield, S1 2FF

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield, HD8 0LA

Directors' report

The Directors present their report and the audited financial statements for the period from 4 October 2009 to 2 October 2010.

Principal activities
Pressure Technologies plc ("PT") is the holding Company for the following Group operations:

Chesterfield Special Cylinders Limited ("CSC") whose principal activities are the design, manufacture and reconditioning of seamless steel high pressure gas cylinders.

Chesterfield Biogas ("CBG") which was formed to market, sell and manufacture biogas upgrading equipment to produce high purity biomethane for use as a vehicle fuel or injection into the natural gas grid using technology licensed from Greenlane Biogas of New Zealand.

On 5 February 2010, PT acquired 100% of the issued share capital of Al-Met Limited. Al-Met Limited manufactures precision engineered valve components for use in the oil and gas industry. Further details of this acquisition are given in note 26 to the financial statements.

Results and dividends
The consolidated statement of comprehensive income is set out on page 22. The profit on ordinary activities before taxation of the Group for the period ended 2 October 2010 amounted to £3.506 million (2009: £5.053 million).

An interim dividend of 2.4p per share was paid during the period (2009: 2.2p). The Directors recommend a final dividend of 4.8p per share (2009: 4.4p).

Business review
Financial overview
Revenues decreased by 17% to £21.714 million (2009: £26.186 million).

Gross profit decreased by 5% to £7.860 million (2009: £8.287 million) giving a gross margin of 36% (2009: 32%).

Profit before tax decreased to £3.506 million (2009: £5.053 million). Basic earnings per share were down 31% at 22.3p (2009: 32.1p).

Net cash decreased to £6.475 million (2009: £7.886 million) following the purchase of Al-Met Limited for £2.250 million.

Capital expenditure for the year was £0.643 million (2009: £0.382 million).

Operational overview
The operational overview is contained in the Chief Executive's statement on pages 8 to 13.

Environment
Pressure Technologies recognises that its activities have an impact on the environment. Managing this impact is an integral part of responsible corporate governance and good management practice. The Group has developed environmental policies and the main points are listed below:

- Overall responsibility for the implementation of these policies is the responsibility of the main Board and the senior management at each Group Company.
- The Group will comply with both the letter and the spirit of relevant environmental regulations. Additionally the Group will actively participate in industry and Governmental environmental consultative processes.
- Chesterfield Special Cylinders is accredited to ISO14001:2004 and operates to that standard. Al-Met Limited is in the process of obtaining this accreditation.
- The Group is committed to the continuous improvement of its environmental management system. Specifically the Group seeks to reduce waste and energy use and prevent pollution.
- As part of continuous improvement, it is the policy of the Group to establish measurable environmental objectives and communicate these to all employees. These documented objectives will be periodically reviewed as part of the management review process. The necessary personnel and financial resources will be provided to meet these objectives.
- Employees are given such information, training and equipment as is necessary to enable them to undertake their work with the minimum impact on the environment.

The Group had no notifiable environment incidents in 2010.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

Principal risks and uncertainties
Specific principal risks identified by management are described below together with management actions to minimise these risks:

Risk	Management action
The Group's revenue is concentrated on the deep water oil and gas sector. The Group derives 47% (2009: 52%) of its sales from its largest customer.	Reduce dependence of CSC on this sector by the development of other products and services and by developing other divisions within the Group both by organic growth and acquisitions. Significant management resource is allocated to service the requirements of this customer. Ongoing development of new products, customers and markets.
The Group derives a high proportion of its raw material supplies from a small number of key suppliers, some of whom are competitors.	To reduce the inherent risk of supply from competitors, requirements are split across the available supplier base.
Each product group operates from a single manufacturing site. In the event of a prolonged interruption to operations, the Group may not have the ability to transfer its manufacturing activities to other facilities.	Health, safety and environmental risks which could result in site closure are managed on a day to day basis by a specialist manager reporting directly to the senior site manager.
The Group is small and relies on a small number of key Directors and senior managers.	As the business grows, increases in staff numbers make succession planning easier and recruitment is already carried out to ensure that skills and expertise can be duplicated. Key man insurance is in place for the Group Finance Director, the Group Director of Sales and Marketing and Group Director of Engineering. The Group is currently in the process of renewing the policy for the Group Chief Executive.
The Group purchases some of its raw materials in both US Dollars and Euros and receives payment for some of its products in Euros.	The net exposure is reduced by the use of forward exchange contracts subject to limits in the Group's banking facility.

Other risks may also adversely affect the Group and actual results may differ materially from anticipated results because of a variety of risk factors, including but not limited to: changes in interest and exchange rates; changes in global political, economic, business, competitive and market forces; changes to legislation and tax rates; future business acquisitions or disposals; relations with customers and customer credit risk; relations with suppliers and supplier credit risks; events affecting international security, including global health issues and terrorism, and changes in legislation.

Summary and calculation of key performance indicators ("KPI")
Shareholders

KPI – Earnings per share	
2010	22.3p
2009	32.1p
2008	31.6p
2007	10.9p

Earnings per share are calculated as profit for the period divided by the weighted average number of shares in issue. Earnings per share fell in line with after tax profit.

Financial performance

KPI – Revenue		KPI – Return on revenue	
2010	£21.7 million	2010	21.0%
2009	£26.2 million	2009	20.0%
2008	£23.7 million	2008	20.8%
2007	£15.1 million	2007	12.4%
Target	£40.0 million by 2011	Target	20.0%

Return on revenue is calculated as operating profit divided by revenue and is stated after excluding the CBG division which is still considered to be in start up mode (see note 1 for the detailed segmental analysis).

The Group has long term plans for growth and each division has short term profit improvements plans. Due to the downturn in the deep water oil and gas sector, it is unlikely that the Group will be able to achieve its revenue target by 2011. However, the Group aims to progress towards this target in the near term through a combination of internal growth and acquisitions.

Directors' report continued

Health & safety		Environment	
KPI – Reportable Accidents		KPI – Reportable Incidents	
2010	Zero	2010	Zero
2009	Zero	2009	Zero
2008	3	2008	Zero
2007	2	2007	Zero
Target	Zero	Target	Zero

The Group maintains a focus on health, safety and environmental issues through a dedicated manager. Al-Met Limited is currently in the process of obtaining ISO14001:2004 accreditation and with CSC are also working towards accreditation for OHSAS:18001.

Substantial shareholdings

As at 24 November 2010, the following held or were beneficially interested in 3% or more of the Company's issued ordinary share capital:

	Number of shares	Percentage of issued share capital owned
JTS Hayward	1,000,040	8.8%
G Edwards	970,630	8.6%
Artemis	921,667	8.1%
Hargreave Hale	646,667	5.7%
JW Brown	620,000	5.5%
A Harding	588,333	5.2%
PD Catton	568,333	5.0%
YFM Private Equity	483,633	4.3%
Unicorn	469,767	4.1%
AXA Framlington	390,934	3.5%
PL Redfern	345,000	3.0%
South Yorkshire Investment Capital Fund	342,224	3.0%
The Liontrust Intellectual Capital Trust	341,553	3.0%

Directors and their interests

The present Directors of the Company are set out on page 14 and 15.

The interests of the Directors in the share capital of the Company are set out below.

Ordinary shares	**2 October 2010 Number**	3 October 2009 Number
RL Shacklady (including 22,500 shares held by his wife)	**60,500**	60,500
JTS Hayward	**1,000,040**	1,000,040
PS Cammerman	**24,395**	13,652
TJ Lister	**3,750**	3,750
NF Luckett (including 7,667 shares held by his wife)	**52,000**	52,000

Share options

On 7 October 2009, options were granted over 116,127 ordinary shares under the rules of the Pressure Technologies plc Performance Share Plan – Enterprise Management Plan at an exercise price of 232.5p. These options are exercisable between 3 and 5 years following the date of grant.

On 2 October 2010 there were 67,938 (2009: 76,650) outstanding and exercisable options under the save-as-you-earn scheme and a further 73,117 (2009: nil) outstanding and exercisable options under the Enterprise Management Plan.

The Directors' interests in share options are as follows:

	Date granted	Number	Options price
JTS Hayward	30 November 2007	2,181	176.0p
TJ Lister	18 August 2009	6,050	150.0p
TJ Lister	7 October 2009	51,612	232.5p

No share options were exercised in either period.

Financial instruments

The Group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The Group's principal financial instruments comprise cash and bank deposits and finance leases together with trade receivables and trade payables that arise directly from its operations. The Group has entered into derivative transactions in the normal course of trade. It does not trade in financial instruments as a matter of policy.

Information about the use of the financial instruments by the Company and its subsidiaries is given in note 20 to the financial statements.

Donations

Donations made by the Group during the period for charitable purposes in the United Kingdom amounted to £3,000 (2009: £3,000).

Supplier payment policy

The Group's policy is to comply wherever practical with the terms of payment agreed with its suppliers. The average creditor days were 47 (2009: 41) for the Group. The Company has no significant trade payables.

Directors' indemnities

The Company maintains director and officer insurance cover for the benefit of its Directors which remained in force at the date of this report.

Employee involvement

It is the policy of the Group to communicate with employees by regular briefing meetings conducted by senior management. Career development is encouraged through suitable training and annual appraisals. The Group takes the approach of maximising performance through the heightening of awareness of corporate objectives and policies.

Disabled persons

The Group gives full and fair consideration to applications for employment from disabled persons, where they have the necessary abilities and skills for that position and, wherever possible, will retrain employees who become disabled so that they can continue their employment in another position. The Group engage, promote, and train staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress.

Going concern

The Directors are satisfied that the Company and Group have adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the financial statements.

Post balance sheet events

On 15 October 2010, the Group acquired 100% of the issued share capital of Hydratron Limited for a cash consideration of £3.3 million, of which £0.8 million is deferred. Further details of the acquisition are given in note 27 to the consolidated financial statements.

Statement of Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Annual 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 which give a true and fair view of the state of affairs of the parent Company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial year. The AIM Rules for Companies require that the Directors prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Directors' report continued

The Directors are responsible for keeping adequate accounting records that 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to Auditors
In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's Auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

Auditors
Grant Thornton UK LLP are willing to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Cautionary statement on forward-looking statements and related information
This document contains a number of forward-looking statements relating to the Group. The Group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Group to differ materially from the information presented. Readers are cautioned not to place undue reliance on these forward-looking statements which are relevant only as at the date of this document.

By order of the Board
TJ Lister
Secretary
7 December 2010

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

Report of the Independent Auditor to the members of Pressure Technologies plc

We have audited the financial statements of Pressure Technologies plc for the period ended 2 October 2010 which comprise the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 27 to the Group consolidated financial statements and notes 1 to 11 to the parent Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on pages 19 and 20, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 2 October 2010 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
7 December 2010

Consolidated statement of comprehensive income

For the period ended 2 October 2010

	Notes	52 weeks ending 2 October 2010 £'000	53 weeks ending 3 October 2009 £'000
Revenue	1	**21,714**	26,186
Cost of sales		**(13,854)**	(17,899)
Gross profit		**7,860**	8,287
Administration expenses		**(4,374)**	(3,315)
Operating profit	1	**3,486**	4,972
Finance income	2	**39**	94
Finance costs	3	**(19)**	(13)
Profit before taxation	4	**3,506**	5,053
Taxation	8	**(978)**	(1,414)
Profit and total comprehensive income for the period attributable to the owners of the parent		**2,528**	3,639
Earnings per share – basic	9	**22.3p**	32.1p
– diluted	9	**22.2p**	32.0p

All the above results are from continuing operations.

The notes on pages 32 to 49 form part of these financial statements.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

Consolidated balance sheet

As at 2 October 2010

	Notes	2 October 2010 £'000	3 October 2009 £'000
Non-current assets			
Goodwill	11	**272**	—
Intangible assets	12	**543**	380
Property, plant and equipment	13	**3,745**	2,195
Deferred tax asset	21	**229**	92
Trade and other receivables	16	**321**	—
		5,110	2,667
Current assets			
Inventories	15	**3,547**	4,722
Trade and other receivables	16	**6,601**	4,337
Derivative financial instruments	17	**—**	4
Cash and cash equivalents		**6,613**	8,046
		16,761	17,109
Total assets	1	**21,871**	19,776
Current liabilities			
Trade and other payables	18	**(3,737)**	(3,841)
Derivative financial instruments	17	**(21)**	—
Borrowings	19	**(130)**	(80)
Current tax liabilities		**(721)**	(740)
		(4,609)	(4,661)
Non-current liabilities			
Other payables	18	**(668)**	(643)
Borrowings	19	**(8)**	(80)
Deferred tax liabilities	21	**(679)**	(278)
		(1,355)	(1,001)
Total liabilities		**(5,964)**	(5,662)
Net assets		**15,907**	14,114
Equity			
Share capital	22	**567**	567
Share premium account		**5,341**	5,341
Retained earnings		**9,999**	8,206
Total equity		**15,907**	14,114

The notes and accounting policies on pages 26 to 49 form part of these financial statements.

The financial statements were approved by the Board on 7 December 2010 and signed on its behalf by:

JTS Hayward
Director

Consolidated statement of changes in equity

For the period ended 2 October 2010

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 28 September 2008	567	5,341	5,259	11,167
Dividends	—	—	(703)	(703)
Share based payments	—	—	11	11
Transactions with owners	—	—	(692)	(692)
Profit and total comprehensive income for the period	—	—	3,639	3,639
Balance at 3 October 2009	567	5,341	8,206	14,114
Dividends	—	—	(771)	(771)
Share based payments	—	—	36	36
Transactions with owners	—	—	(735)	(735)
Profit and total comprehensive income for the period	—	—	2,528	2,528
Balance at 2 October 2010	**567**	**5,341**	**9,999**	**15,907**

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

Consolidated statement of cash flows

For the period ended 2 October 2010

	Notes	**52 weeks ending 2 October 2010 £'000**	53 weeks ending 3 October 2009 £'000
Operating activities			
Cash flows from operating activities	24	**3,391**	5,113
Finance costs paid		**(19)**	(13)
Income tax paid		**(1,158)**	(1,544)
Net cash inflow from operating activities		**2,214**	3,556
Investing activities			
Interest received		**39**	94
Purchase of property, plant and equipment		**(643)**	(382)
Purchase of intangible assets		**—**	(400)
Purchase of subsidiary net of cash and cash equivalents	26	**(2,010)**	—
Net cash used in investing activities		**(2,614)**	(688)
Financing activities			
Repayment of borrowings		**(262)**	(80)
Dividends paid		**(771)**	(703)
Payment of deferred consideration		**—**	(130)
Net cash outflow from financing activities		**(1,033)**	(913)
Net (decrease) increase in cash and cash equivalents		**(1,433)**	1,955
Cash and cash equivalents at beginning of period		**8,046**	6,091
Cash and cash equivalents at end of period		**6,613**	8,046

The notes on pages 32 to 49 form part of these financial statements.

Accounting policies

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and IFRIC interpretations issued by the International Accounting Standards Board and the Companies Act 2006. The Company has elected to prepare its parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on pages 50 to 53.

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ending 2 October 2010. The consolidated financial statements have been prepared on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are carried at fair value.

Changes in accounting policies
The Group has adopted IAS1 'Presentation of Financial Statements (revised 2007)', which does not affect the financial position or profits of the Group, but gives rise to additional disclosures. IAS1 'Presentation of Financial Statements (revised 2007)' affects the presentation of owner changes in equity and introduces a 'Statement of Comprehensive Income'. In accordance with the new standard, a 'Statement of Recognised Income and Expense' is no longer required and a 'Statement of Changes in Equity' is presented.

IAS1 'Presentation of Financial Statements (revised 2007)' also requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. The Directors do not consider that this is necessary as the 2009 consolidated balance sheet is the same as that previously published.

IFRS3 'Business Combinations' (revised 2008) has resulted in a number of changes to the way that business combinations are measured and accounted for. The most notable changes impacting the Group result in certain acquisition costs being recorded directly in the consolidated statement of comprehensive income. In addition, the difference between the actual and estimated amount of deferred consideration payable will now be recognised in the consolidated statement of comprehensive income rather than through goodwill. The Group has applied this new standard in accounting for the acquisition made during the period.

Under IFRS8 'Operating Segments', the Group has adopted a 'management approach' to reporting on its segments. Therefore, the information reported is that used by the chief operating decision maker for internally evaluating segment performance and deciding how to allocate resources to operating segments. Following the adoption of IFRS 8, which required retrospective application, the comparative segment information has been restated to comply with the new requirements. In the prior period, the Group only reported on one segment as no other segment represented more than 10% of revenue, as permitted by IAS14.

The amendments to IFRS2 'Share Based Payments vesting conditions and cancellations' requires that entities re-estimate the grant date fair value of certain share based payments where those share based payments contain conditions for vesting which do not qualify as service or performance conditions, such as a requirement for the employee to save towards the exercise price of the share option in a save as you earn scheme. The possibility of this condition failing to be met is taken into account when estimating the grant date fair value of the investment granted.

Standards and interpretations not yet applied by the Group
There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. These standards will be first effective for the Group in its 2010/11 financial year:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Group Cash-settled Share-based Payment Transactions – Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)
- Improvements to IFRSs issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)

The application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position. However, they may give rise to additional disclosures being made in the financial statements.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, which are described below, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions that have a material risk to the carrying value of assets and liabilities within the next financial year are discussed below:

Critical accounting judgements
Revenue recognition – Cylinders
The Group recognises revenue when the goods in question have finished production and passed any applicable factory and customer acceptance tests. Where goods remain on the Group's premises at the year end at the request of the customer, management consider the detailed criteria for the recognition of revenue from the sale of the goods as set out in IAS18 'Revenue'. In particular, consideration is given as to whether the significant risks and rewards of ownership are considered to have transferred to the buyer.

Key sources of estimation uncertainty
Inventory provisions
The Directors have reviewed the level of inventory provisions carried against inventory in the light of outstanding current and anticipated customer orders. The future realisation of carrying amounts is affected by whether the anticipated level of orders is achieved.

Basis of consolidation
The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 2 October 2010 (2009: to 3 October 2009). Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

All intra-group transactions have been eliminated on consolidation. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements have been adjusted where necessary to ensure consistency with accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Contingent consideration is recognised at its acquisition date fair value. Subsequent changes to this fair value resulting from events after the acquisition date are recognised through profit or loss.

Revenue
Revenue is measured by reference to the fair value of consideration received or receivable and arises from the sales of goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer, which may be the date the goods are despatched to the customer, completion of the product or the product being ready for delivery based on specific contract terms; when the amount of revenue can be measured reliably; and when it is probable that the economic benefits associated with the transaction will flow to the Group.

Cylinders
In respect of revenue recognition within the Cylinders segment, revenue is recognised when the goods in question have finished production and passed any applicable factory and customer acceptance tests. Goods may not always have been despatched for revenue to be recognised provided the above criteria have been met.

Revenue from services provided by the Group, which does not represent a significant portion of the total revenue, is recognised when the outcome of the transaction can be estimated reliably and the Group has performed its obligations and, in exchange, obtained the right to consideration.

Accounting policies continued

Revenue continued
Engineered Products
In applying the above policy, revenue is recognised in the Engineered Products segment when production is complete and the goods are ready to be despatched. In the vast majority of cases, despatch takes place as soon as production has been completed.

Alternative Energy
Revenue is recognised in the Alternative Energy segment when the equipment has been installed and all tests of the equipment installed by the Group have been passed.

Share-based employee remuneration
The Group operates equity-settled share-based remuneration plans for some of its employees. The Group's plan does not feature any options for a cash settlement.

All services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to the profit and loss reserve.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as additional paid-in capital.

The cancellation of equity-settled share based payments is accounted for as an acceleration of vesting.

Dividends
Interim dividends are charged in the period in which they are paid. Final dividends are only provided when approved by the shareholders.

Property, plant and equipment
Plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is applied on a straight-line basis so as to reduce the assets to their residual values over their estimated useful lives. The rates of depreciation used are:

Plant and machinery	4 – 15 years

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

Intangible assets
Licence and distribution agreement
Intangible assets are recorded at cost, net of amortisation and any provision for impairment. The Group's licence and distribution agreement is being amortised over 5 years, being the period covered by the agreement.

Intangible assets acquired as part of a business combination
In accordance with IFRS3 'Business Combinations', an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of an intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group.

Such intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

Customer order book	1 year
Non-contractual customer relationships	5 years

Impairment testing of non-current assets
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Leased assets
In accordance with IAS17 'Leases', the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the asset. The related asset is recognised at the inception of the lease at its fair value or, if lower, the present value of the lease payments. A corresponding liability is recognised when the interest element of the lease payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives are spread over the term of the lease. Benefits received as an incentive to enter into an operating lease are spread over the lease term on a straight line basis.

Inventories
Inventories are stated at the lower of cost and net realisable value, on a first in first out basis. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Income taxes
The tax expense represents the sum of the tax currently payable and deferred tax. Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective periods of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets and liabilities are recognised as a component of tax expense in the consolidated statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Accounting policies continued

Accounting for financial assets
The Group has financial assets in the following categories:
- loans and receivables (trade and other receivables, cash and cash equivalents)
- financial assets at fair value through profit or loss (derivative financial instruments)

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognised in profit or loss or directly in equity.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at 'fair value through profit or loss' are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the consolidated statement of comprehensive income. Changes in fair value due to subsequent measurement are recognised in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Impairment is considered where the balances are past due or where there is other evidence that a counterparty may default. Any gains or losses arising as a result of the impairment review are recognised in profit or loss. Pressure Technologies plc's trade and most other receivables fall into this category of financial instrument. Discounting, however, is omitted where the effect of discounting is immaterial.

Receivables are considered for impairment on a case-by-case basis.

Accounting for financial liabilities
Financial liabilities represent a contractual obligation for the Group to deliver cash or other financial assets. Financial liabilities are initially recognised at fair value, net of issue costs, when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the consolidated statement of comprehensive income line items "finance costs" or "finance income". The Group's financial liabilities include borrowings, trade and other payables, and derivative financial instruments, all but the latter are measured at amortised cost using the effective interest rate method.

Derivative financial instruments
The Group has derivative financial instruments that are carried at fair value through profit or loss. The Group does not hedge account for these items.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. The Group has foreign currency forward contracts that fall into this category.

The Group adopted the amendments to IFRS7 'Improving Disclosures about Financial Instruments' effective from 1 January 2009. These amendments require the Group to present certain information about financial instruments, measured at fair value in the consolidated balance sheet. In the first year of application, comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the period ending 2 October 2010 (note 20).

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts, where they form an integral part of the Group's cash management.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Share premium represents premiums received on issuing of share capital. Retained earnings include all current and prior year results as disclosed in the consolidated statement of comprehensive income and reserves note.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

Foreign currency translation
Foreign currency transactions are translated into the functional currency (being the currency of the primary economic environment in which the entity operates) of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary balance sheet items at year-end exchange rates are recognised in the consolidated statement of comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Pounds Sterling is the functional currency of all Group companies and the presentational currency of the consolidated financial statements.

Grants
Grants are recognised where there is reasonable assurance that the entity complies with the conditions attached to them. Grants relating to property, plant and equipment are treated as deferred income and released to the consolidated statement of comprehensive income over the expected useful lives of the assets concerned. Other grants are credited to the consolidated statement of comprehensive income in the same period as the related expenditure is incurred.

Pensions
The Group operates defined contribution schemes with costs being charged to the consolidated statement of comprehensive income in the period to which they relate.

Segment reporting
The Group has adopted IFRS8 'Operating Segments' with effect from 4 October 2009. IFRS8 requires operating segments to be identified on the basis of the internal reports about operating units of the Group that are regularly reviewed by the Chief Executive to allocate resources and to assess their performance. The Group operates three main business segments which represent the main products and services provided by the Group:

- Cylinders: the design, manufacture and reconditioning of seamless high pressure gas cylinders.
- Engineered products: the manufacture of precision engineered valve components.
- Alternative energy: marketing, selling and manufacture of biogas upgrading equipment to produce high purity biomethane.

Each of these operating segments is managed separately as each requires different technologies, resources and marketing approaches.

The measurement policies used by the Group for segment reporting are the same as those used in its financial statements. Amortisation of intangible assets arising from business combinations and fair value adjustments arising from business combinations are allocated to the operating segment to which they relate.

In addition, corporate overheads and assets not directly related to the business activities of any operating segment are not allocated to a segment.

Notes to the consolidated financial statements

1. Segment analysis

The financial information by segment detailed below is frequently reviewed by the Chief Executive.

For the period ended 2 October 2010	Cylinders £'000	Engineered Products £'000	Alternative Energy £'000	Unallocated amounts* £'000	Total £'000
Revenue					
– from external customers	18,976	2,034	704	—	21,714
– from other segments	118	—	—	(118)	—
Segment revenues	19,094	2,034	704	(118)	21,714
Operating profit/(loss) before amortisation of intangible assets	4,753	(20)	(228)	(814)	3,691
Amortisation of intangible assets	—	(125)	(80)	—	(205)
Operating profit/(loss)	4,753	(145)	(308)	(814)	3,486
Net finance costs	(3)	(8)	—	31	20
Profit/(loss) before tax	4,750	(153)	(308)	(783)	3,506
Segmental assets	11,734	3,375	1,341	5,421	21,871
Other segment information:					
Capital expenditure	525	—	118	—	643
Depreciation	186	115	14	—	315

Period ended 3 October 2009	Cylinders £'000	Engineered Products £'000	Alternative Energy £'000	Unallocated amounts* £'000	Total £'000
Revenue					
– from external customers	26,186	—	—	—	26,186
– from other segments	—	—	—	—	—
Segment revenues	26,186	—	—	—	26,186
Operating profit/(loss) before amortisation of intangible assets	5,808	—	(269)	(547)	4,992
Amortisation of intangible assets	—	—	(20)	—	(20)
Operating profit/(loss)	5,808	—	(289)	(547)	4,972
Net finance costs	7	—	—	74	81
Profit/(loss) before tax	5,815	—	(289)	(473)	5,053
Segmental assets	12,516	—	380	6,880	19,776
Other segment information:					
Capital expenditure	382	—	—	—	382
Depreciation	230	—	—	—	230

*Unallocated amounts include central costs, central assets and unallocated consolidation adjustments.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

1. Segment analysis continued

The following table provides an analysis of the Group's revenue by geographical destination.

Revenue	2010 £'000	2009 £'000
United Kingdom	**3,112**	5,571
Europe	**5,363**	894
Rest of the World	**13,239**	19,721
	21,714	26,186

The Group's largest customer contributed 47% to the Group's revenue (2009: 52%). No other customer contributed more than 10% (2009: the second largest customer contributed 20% to the Group's revenue). Revenue from both customers is reported within the cylinders segment.

The carrying amount of segment assets and additions to property, plant and equipment and intangible assets have not been analysed separately by location, as they are all located in the United Kingdom.

2. Finance income

	2010 £'000	2009 £'000
Interest receivable on bank deposits	**39**	94

3. Finance costs

	2010 £'000	2009 £'000
Interest payable on bank loans and overdrafts	**(16)**	(13)
Interest payable on finance leases	**(3)**	—
	(19)	(13)

4. Profit before taxation

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

	2010 £'000	2009 £'000
Depreciation of property, plant and equipment – owned assets	**293**	230
Depreciation of property, plant and equipment – assets under finance lease and hire purchase agreements	**22**	—
Amortisation of intangible assets – arising on a business combination	**125**	—
– other	**80**	20
Amortisation of grants receivable	**(42)**	(27)
Staff costs (see note 7)	**3,020**	2,515
Cost of inventories recognised as an expense	**11,030**	15,552
Operating lease rentals:		
Land and buildings	**548**	458
Machinery and equipment	**27**	24
Foreign currency (gain)/loss	**(98)**	52
Fair value of derivative financial instruments	**25**	106
Write down of inventories to fair value less costs to sell	**280**	—

Notes to the consolidated financial statements continued

5. Auditors' remuneration

	2010 £'000	2009 £'000
Fees payable to the Company's Auditor for the audit of the financial statements	**11**	10
Fees payable to the Company's Auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**27**	16
Fees payable to the Group's Auditors for non-audit services:		
– Tax services	**14**	10
– Review of Interim Financial Statements	**10**	8
– Other services	**13**	9

6. Directors' emoluments

Particulars of Directors' emoluments are as follows:

	Salary and fees £'000	Benefits £'000	Bonus £'000	Total 2010 £'000	Total 2009 £'000	Pension 2010 £'000	Pension 2009 £'000
Non-Executive:							
RL Shacklady	**24**	**—**	**—**	**24**	24	**—**	—
NF Luckett	**15**	**—**	**—**	**15**	15	**—**	—
PS Cammerman	**15**	**—**	**—**	**15**	15	**—**	—
Executive:							
JTS Hayward	**97**	**1**	**—**	**98**	98	**10**	10
TJ Lister	**81**	**2**	**—**	**83**	81	**9**	8
Total emoluments	**232**	**3**	**—**	**235**	233	**19**	18

All the payments shown for RL Shacklady were paid to RLS Associates, a partnership which he controls.

The number of Directors who are accruing benefits under money purchase schemes is 2 (2009: 2). The Directors' interests in share options are given in the Directors' Report.

The Group believes that the Directors of Pressure Technologies plc are the only key management personnel under the definition of IAS24 'Related party disclosures'.

7. Employee costs

Particulars of employees, including Executive Directors:

	2010 £'000	2009 £'000
Wages and salaries	**2,615**	2,206
Social security costs	**278**	216
Other pension costs	**91**	82
Share based payments	**36**	11
	3,020	2,515

The average monthly number of employees (including Executive Directors) during the period was as follows:

	2010 No.	2009 No.
Production	**78**	68
Selling and distribution	**7**	5
Administration	**10**	6
	95	79

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

8. Taxation

	2010 £'000	2009 £'000
Current tax		
Current tax expense	**1,007**	1,445
Deferred tax		
Origination and reversal of temporary differences	**(29)**	(31)
Total taxation charge	**978**	1,414

Corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the period.

The charge for the period can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2010 £'000	2009 £'000
Profit before taxation	**3,506**	5,053
Theoretical tax at UK corporation tax rate 28% (2009: 28%)	**982**	1,415
Effects of:		
– non-deductible expenses	**23**	6
– adjustments in respect of prior years	**(29)**	—
– small companies and marginal relief	**—**	(7)
– carry back of losses	**2**	—
Total taxation charge	**978**	1,414

9. Earnings per ordinary share

Basic and diluted earnings per share have been calculated in accordance with IAS33, which requires that earnings should be based on the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period.

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options.

	2010 £'000	2009 £'000
Profit after tax	**2,528**	3,639

	No.	No.
Weighted average number of shares – basic	**11,333,620**	11,333,620
Dilutive effect of share options	**74,633**	51,455
Weighted average number of shares – diluted	**11,408,253**	11,385,075
Basic earnings per share	**22.3p**	32.1p
Diluted earnings per share	**22.2p**	32.0p

Notes to the consolidated financial statements continued

10. Dividends

The following dividend payments have been made on the Ordinary 5p Shares in issue:

	Rate	Date	Shares in issue	**2010 £'000**	2009 £'000
Final 2007/08	4.0p	12 March 2009	11,333,620	**—**	453
Interim 2008/09	2.2p	10 August 2009	11,333,620	**—**	250
Final 2008/09	4.4p	12 March 2010	11,333,620	**499**	—
Interim 2009/10	2.4p	10 August 2010	11,333,620	**272**	—
				771	703

At 2 October 2010, the 2009/10 final dividend had not been approved by Shareholders and consequently this has not been included as a liability. The proposed dividend of 4.8p per share is expected to be paid on 11 March 2011 at a total cost of £544,000.

11. Goodwill

	Total £'000
Cost	
At 4 October 2009	—
Additions	272
At 2 October 2010	**272**

Goodwill above arose on the acquisition of Al-Met Limited on 5 February 2010 and represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, as detailed in note 26. The goodwill relates to a single cash generating unit ("CGU").

Goodwill impairment

The Group considers impairment annually, or more frequently if there are any indicators that goodwill might be impaired, in line with the procedures outlined in the 'Critical accounting judgements and key sources of estimation uncertainty' within the accounting policies section.

The Directors have considered the carrying value of goodwill in light of the recent and forecast performance of the CGU to which the goodwill relates. The Directors do not consider the carrying value of goodwill to be material in respect of the Group net assets and profit before tax and they are satisfied that the goodwill is not impaired as the CGU is expected to be both profitable and cash generative.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

12. Intangible assets

	Licence and distribution agreement £'000	Customer order book £'000	Non contractual customer relationships £'000	Total £'000
Cost				
At 28 September 2008	—	—	—	—
Additions	400	—	—	400
At 3 October 2009	400	—	—	400
Additions	—	107	261	368
At 2 October 2010	**400**	**107**	**261**	**768**
Amortisation				
At 28 September 2008	—	—	—	—
Charge for the period	20	—	—	20
At 3 October 2009	20	—	—	20
Charge for the period	80	90	35	205
At 2 October 2010	**100**	**90**	**35**	**225**
Net book value				
At 2 October 2010	**300**	**17**	**226**	**543**
At 3 October 2009	380	—	—	380

The customer order book and non-contractual customer relationships were acquired during the year as a result of the acquisition of Al-Met Limited (note 26). The licence and distribution agreement was acquired separately in the prior period.

13. Property, plant and equipment

	Plant and machinery £'000
Cost	
At 28 September 2008	3,969
Additions	382
At 3 October 2009	4,351
Additions	643
Acquisitions	1,222
At 2 October 2010	**6,216**
Depreciation	
At 28 September 2008	1,926
Charge for the period	230
At 3 October 2009	2,156
Charge for the period	315
At 2 October 2010	**2,471**
Net book value	
At 2 October 2010	**3,745**
At 3 October 2009	2,195

Included within the net book value of £3,745,000 is £385,000 (2009: £nil) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £22,000 (2009: £nil).

Notes to the consolidated financial statements continued

14. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the Parent Company's separate financial statements as listed on page 52.

15. Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	**2,110**	3,272
Work in progress	**1,437**	1,450
	3,547	4,722

Included in the total net value above are gross inventories of £797,000 (2009: £253,000) over which fair value provisions have been made of £517,000 (2009: £253,000).

16. Trade and other receivables

	2010 £'000	2009 £'000
Current		
Trade receivables	**4,997**	3,856
Other debtors	**159**	—
Prepayments and accrued income	**1,445**	481
	6,601	4,337
Non Current		
Prepayments and accrued income	**321**	—
	321	—

The average credit period taken on the sale of goods and services was 78 days (2009: 52 days) in respect of the Group. Three debtors accounted for over 10% of trade receivables and represented 31%, 17% and 14% of the total balance. In 2009, two debtors accounted for over 10% of trade receivables and represented 46% and 19% of the total balance.

Ageing of past due but not impaired receivables:

	2010 £'000	2009 £'000
Days past due:		
0 – 30 days	**446**	72
31 – 60 days	**89**	54
61 – 90 days	**330**	4
91 – 120 days	**12**	29
121+ days	**976**	15
Total	**1,853**	174

Of the above receivables more than 30 days past their due date totalling £1,407,000, £1,271,000 relates to work carried out for three overseas naval contracts, for which no impairment provision is considered necessary. Since the year end £302,000 has been received which settles the outstanding balance with one overseas Government.

17. Derivative financial instruments

	2010 £'000	2009 £'000
Derivatives carried at fair value not recognised for hedge accounting		
– Forward foreign currency contracts	**(21)**	4
(Liability)/asset	**(21)**	4

18. Trade and other payables

	2010 £'000	2009 £'000
Amounts due within 12 months		
Trade payables	**1,748**	1,551
Other tax and social security	**85**	175
Accruals and deferred income	**1,904**	2,115
Total due within 12 months	**3,737**	3,841
Amounts due after 12 months		
Other payables	**371**	319
Deferred income	**297**	324
Total due after 12 months	**668**	643

Deferred income includes £297,000 (2009: £324,000) of grant income received. There are no unfulfilled conditions or other contingencies attached to the grants.

19. Borrowings

	2010 £'000	2009 £'000
Secured borrowings		
Bank loans	**—**	160
Net obligations under finance leases	**138**	—
Total borrowings	**138**	160
Amounts due for settlement within 12 months	**130**	80
Amounts due for settlement after 12 months	**8**	80

The maturity profile of long-term loans is as follows:

	2010 £'000	2009 £'000
Due within one year	**130**	80
Due within one to two years	**8**	80
	138	160

Security was provided on the bank loan by a charge over the Group's assets. Obligations under finance leases are secured on the assets to which they relate.

The un-drawn committed borrowing facility and principal features of the Group's borrowings are described in note 20 of these financial statements.

Notes to the consolidated financial statements continued

20. Financial instruments

Capital risk management

Pressure Technologies plc's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders through the payment of dividends.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

	2010 £'000	2009 £'000
Debt	**(138)**	(160)
Cash and cash equivalents	**6,613**	8,046
Net cash	**6,475**	7,886
Equity	**15,907**	14,114

Debt is defined as long and short-term borrowings, as detailed in note 19. Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

The Group is not subject to externally imposed capital requirements, other than the minimum capital requirements and duties regarding a serious reduction of capital, as imposed by the Companies Act 2006 on all public limited companies.

The Group held the following categories of financial instruments:

	2010 £'000	2009 £'000
Financial assets		
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**—**	4
Loans and receivables:		
– Trade receivables	**4,997**	3,856
– Cash and cash equivalents	**6,613**	8,046
	11,610	11,906
Financial liabilities		
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**21**	—
Trade and other payables – held at amortised cost		
– Trade payables	**1,748**	1,551
– Accruals and deferred income	**1,904**	2,115
Borrowings – at amortised cost	**138**	160
	3,811	3,826

The fair value of the financial instruments set out above is not materially different from their book value.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

20. Financial instruments continued

Financial risk management objectives

Management monitor and manage the financial risks relating to the operations of the Group through regular reports to the Board. These risks include currency risk, interest rate risk, credit risk and liquidity risk.

The Group seeks to minimise the effects of currency risk by using derivative financial instruments. The use of financial derivatives is governed by the Group's policies on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Whilst the Group enters into forward currency contracts during the period to mitigate foreign currency risk, it does not apply hedge accounting.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, particularly in US Dollars and Euros, and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk. The level of long term borrowings in place at the year end is not significant to the Group.

Foreign currency risk management

The Group purchases its principal raw materials in US Dollars, Euros and Pounds Sterling and receives payment for its products in Euros, US Dollars and Pounds Sterling. After netting off foreign currency receipts and payments there is a net exposure to the risk of currency movements both in US Dollars and Euros. Where necessary the net exposure is hedged using forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary financial assets and monetary financial liabilities at the reporting date are as follows:

	Financial assets 2010 £'000	Financial assets 2009 £'000	**Financial liabilities 2010 £'000**	Financial liabilities 2009 £'000
Euro	**3,681**	2,598	**595**	1,183
Norwegian Krone	**4**	3	**—**	—
US Dollar	**167**	235	**153**	386
	3,852	2,836	**748**	1,569

Foreign currency sensitivity analysis

The Group's exposure to a 10% exchange rate movement on its foreign currency denominated financial assets and financial liabilities is as follows:

	Euro currency impact 2010 £'000	Euro currency impact 2009 £'000	**US Dollar currency impact 2010 £'000**	US Dollar currency impact 2009 £'000
Profit or loss	**283**	129	**1**	13

The use of a 10% movement in exchange rates is considered appropriate given recent movements in exchange rates.

A substantial amount of the Group's sales and purchases are made in foreign currencies. The exposure to foreign exchange rates varies throughout the year depending on the volume and timing of transactions in foreign currencies.

Notes to the consolidated financial statements continued

20. Financial instruments continued
Fair value hierarchy
Financial instruments carried at fair value are required to be measured by reference to the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is clarified is determined based on the lowest level of significant input to one fair value measurement. The only derivatives entered into by the Group are included in level 2 and consist of foreign currency forward contracts.

Forward foreign exchange contracts
The Group enters into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also periodically enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to between 6-12 months. The Group does not hedge account for the forward currency exchange contracts.

At 2 October 2010, the Group had an outstanding forward exchange contract to sell $2 million for £1,718,000 (2009: to purchase $1 million for £629,000) which substantially covered the outstanding value of Euro denominated financial assets held at the year end after allowing for outstanding sales and purchase orders.

The fair value of forward foreign exchange contracts at 2 October 2010 gave rise to a loss of £25,000 (2009: loss of £106,000).

Interest rate risk management
Surplus cash is placed on short-term deposit.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the impact on the results in the consolidated statement of comprehensive income and equity would be an increase/decrease of £30,000 (2009: £30,000).

Price risk management
Where possible the Group enters into contracts incorporating price escalation clauses to mitigate any significant exposure to material price risk.

Credit risk management
The Group's credit risk is primarily attributable to its trade receivables. The two largest customers within trade receivables account for 48% (2009: 65%) of debtors. Management continually monitor this dependence on the largest customers and are continuing to seek acquisitions and are also developing new products, customers and markets to reduce this dependence. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The Group's management estimate the level of allowances required for doubtful debts based on prior experience and their assessment of the current economic environment. The Group's maximum exposure to credit risk is limited to the carrying value of financial assets recognised at the period end. The Group's management considers that all financial assets that are not impaired or past due are of good credit quality.

The credit risk on liquid funds is minimized by using counterparty banks with high credit-ratings assigned by international credit-rating agencies.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

20. Financial instruments continued
Liquidity risk management
The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

At 2 October 2010, the Group's liabilities have contractual maturities summarised below:

2010	**Current within 6 months £'000**	**Current 6-12 months £'000**	**Non current 1 to 5 years £'000**	**Less future interest £'000**	**Total net payable £'000**
Trade and other payables	**2,978**	**134**	**540**	**—**	**3,652**
Amounts due under hire purchase agreements	**77**	**54**	**8**	**(1)**	**138**
Forward currency contracts	**1,718**	**—**	**—**	**—**	**1,718**
	4,773	**188**	**548**	**(1)**	**5,508**

2009	Current within 6 months £'000	Current 6-12 months £'000	Non current 1 to 5 years £'000	Less future interest £'000	Total net payable £'000
Bank overdraft and loans	42	42	82	(6)	160
Trade and other payables	3,159	741	—	—	3,900
Forward currency contracts	629	—	—	—	629
	3,830	783	82	(6)	4,689

The interest rate on the bank loans of £nil (2009: £160,000) was set at 2.75% above Bank of Scotland base rate. The loan was repaid during the year.

The Group had an un-drawn bank overdraft facility available at 2 October 2010 of £5,000,000 (2009: £1,500,000) which is due for renewal on the 28 February 2011.

The following amounts have been recognised in the consolidated statement of comprehensive income in respect of derivative financial instruments:

	2010 £'000	2009 £'000
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**25**	17
– Embedded derivative instrument – contracts for sales and purchase of non-financial items denominated in foreign currencies	**—**	89
Amounts charged to cost of sales within the consolidated statement of comprehensive income	**25**	106

Fair values
The fair values of financial assets and liabilities are determined as follows:
– Outstanding foreign currency exchange contracts are measured using quoted forward exchange rates at the balance sheet date. The Group does not hedge account.
The carrying value and fair value of the financial assets and financial liabilities are considered to be the same.

Notes to the consolidated financial statements continued

21. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000	Intangible assets £'000	Short term temporary differences £'000	Share option costs £'000	Operating lease incentives £'000	Total £'000
At 29 September 2008	(262)	—	(28)	4	69	(217)
Credit/(charge) to income	(16)	—	25	2	20	31
At 3 October 2009	(278)	—	(3)	6	89	(186)
Al-Met Acquisition	(190)	(103)	—	—	—	(293)
Credit/(charge) to income	(143)	35	119	3	15	29
At 2 October 2010	**(611)**	**(68)**	**116**	**9**	**104**	**(450)**

The net deferred tax balance has been analysed as follows in the consolidated balance sheet:

	2010 £'000	2009 £'000
Non current asset		
Deferred tax asset	**229**	92
Non current liabilities		
Deferred tax liabilities	**(679)**	(278)
	(450)	(186)

At the balance sheet date, the Group has unused tax losses held in a subsidiary company as disclosed below:

	Unprovided 2010 £'000	Unprovided 2009 £'000
Trading losses	**43**	43

22. Called up share capital

	2010 No.	2009 No.	**2010 £'000**	2009 £'000
Authorised				
Authorised ordinary shares of 5p each	**15,000,000**	15,000,000	**750**	750
Allotted, issued and fully paid				
Ordinary shares of 5p each	**11,333,620**	11,333,620	**567**	567

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

23. Share based payments

Save-as-you-earn Scheme

Pressure Technologies plc introduced a share option scheme for all employees of the Group in November 2007. A further grant of options was made in August 2009. If the options remain unexercised after a period of 3 years and 6 months from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest. Members of the scheme are required to remain employees of the Group and make regular contributions.

Details of the share options outstanding during the period are as follows:

	2010 No.	2009 No.
Outstanding and exercisable at the beginning of the period	**76,650**	48,289
Granted during the period	**—**	29,015
Lapsed during the period	**(8,712)**	(654)
Outstanding and exercisable at the end of the period	**67,938**	76,650

The exercisable options outstanding at 2 October 2010 had a weighted average exercise price of 168p (2009: 166p) and a weighted average remaining contractual life of 0.7 years (2009: 1.8 years). The terms of these options are as follows:

Date of grant	Options outstanding at 2 October 2010	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
30 November 2007	47,635	3 years	220	176	6 months
18 August 2009	20,303	3 years	178	150	6 months

There are no performance conditions that apply to the options, other than continued employment.

Pressure Technologies plc Performance Share Plan – Enterprise Management Plan

Pressure Technologies plc introduced a share option scheme for senior employees of the Group in October 2009. On 7 October 2009, options were granted over 116,127 ordinary shares under the rules of the Pressure Technologies plc Performance Share Plan – Enterprise Management Plan at an exercise price of 232.5p. These options are exercisable between 3 and 5 years following the date of grant. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the period are as follows:

	2010 No.	2009 No.
Granted during the period	**116,127**	—
Lapsed during the period	**(43,010)**	—
Outstanding and exercisable at the end of the period	**73,117**	—

The exercisable options outstanding at 2 October 2010 had a weighted average exercise price of 232.5p and a weighted average remaining contractual life of 2 years. The terms of these options are as follows:

Date of grant	Options outstanding at 2 October 2010	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
7 October 2010	73,117	3 years	232.5	232.5	6 months

There are no performance conditions that apply to the options, other than continued employment.

Notes to the consolidated financial statements continued

23. Share based payments continued

The options granted have been valued using the Black-Scholes model. The inputs into the Black-Scholes model are as follows:

	Save-as-you-earn 30/11/07	Save-as-you-earn 18/08/09	Enterprise Management Plan 07/10/10
Weighted average share price	220p	178p	232.5p
Weighted average exercise price	176p	150p	232.5p
Expected volatility	37.6%	32.7%	42.3%
Expected life	3 years	3 years	3 years
Risk free rate	5.2%	4.6%	3.4%
Expected dividend yield	0%	2.6%	2.8%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the period since the Group was admitted to AIM. The expected option value used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The expected dividend yield was based on the Group's dividend payout pattern at the date of issue of the options.

The total charge to the consolidated statement of comprehensive income in the period in respect of share-based payments was £36,000 (2009: £11,000). A deferred tax charge of £3,000 (2009: £2,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

24. Consolidated cash flow statement

	2010 £'000	2009 £'000
Profit after tax	**2,528**	3,639
Adjustments for:		
Finance income – net	**(20)**	(81)
Depreciation of property, plant and equipment	**315**	230
Amortisation of intangible assets	**205**	20
Share option costs	**36**	11
Income tax expense	**978**	1,414
Loss on derivative financial instruments	**25**	106
Gain on early settlement of deferred consideration	**—**	(20)
Changes in working capital:		
Decrease in inventories	**1,443**	1,805
Increase in trade and other receivables	**(1,673)**	(1,212)
Decrease in trade and other payables	**(446)**	(799)
Cash flows from operating activities	**3,391**	5,113

25. Financial commitments

(a) Capital commitments

Commitments for capital expenditure entered into were as follows:

	2010 £'000	2009 £'000
Contracted for, but not provided in the accounts	**161**	60

(b) Operating lease commitments

The Group has entered into commercial leases on certain properties, motor vehicles and items of plant and equipment. At the balance sheet date, the Group had outstanding commitments for minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010 £'000	2009 £'000
Land and buildings, leases expiring:		
Within one year	**475**	414
In the second to fifth years inclusive	**1,916**	1,783
After more than five years	**2,497**	2,800
	4,888	4,997
Other assets, leases expiring:		
Within one year	**14**	19
In the second to fifth years inclusive	**4**	18
	18	37

The operating lease commitment on land and buildings includes the lease on the Group's factory and offices at Meadowhall, Sheffield. The Group entered into a lease for a period of 15 years commencing on 1 July 2005. The rent payable under the main lease for the first 5 years was £370,975 per annum. The lease includes rent reviews in every fifth year of the term. In respect of years 6-10 inclusive, the rent increases to £409,586 and then £452,216 in the following review period.

An additional lease was entered into on the same date for the same period for the end bay at the above address. The rent for the first five years of the lease was £32,000 per annum rising to £36,206 following the first review and £40,964 following the final review.

A further lease was entered into on 7 February 2010 which expires on the same date as the main lease above for the new office unit at the above address. The rent for the first 4 years is £29,500 per annum rising to £32,570 following the first review.

At the period end, the Group was negotiating the terms of a new lease on the property occupied by Al-Met Limited which expired during the period. Subsequent to the period end, the terms of the new lease were agreed which covers the 15 year period to 10 November 2025. Rent is now payable at £25,654 per annum for the first two years and £51,309 per annum thereafter. The lease includes rent reviews at the end of the 5th and 10th year of the term. Prior to the agreement of the new lease, rent was being paid on a monthly rolling basis at £20,000 per quarter. The above disclosure does not include any amounts in respect of the property occupied by Al-Met Limited as the Group was not committed to any lease payments at the period end.

Notes to the consolidated financial statements continued

26. Acquisition of subsidiary

On 5 February 2010, the Group acquired 100% of the issued share capital of Al-Met Limited for a maximum cash consideration of £2.25 million. Al-Met Limited manufactures precision engineered valve components. The transaction has been accounted for by the acquisition method of accounting.

	Book value £'000	Revaluation of property, plant and equipment £'000	Intangible assets recognised on acquisition £'000	Fair value £'000
Net assets acquired:				
Property, plant and equipment	415	807	—	1,222
Intangibles	—	—	368	368
Inventories	268	—	—	268
Trade and other receivables	912	—	—	912
Cash and cash equivalents	240	—	—	240
Borrowings	(240)	—	—	(240)
Trade and other payables	(367)	—	—	(367)
Current tax liabilities	(132)	—	—	(132)
Deferred tax assets/(liabilities)	36	(226)	(103)	(293)
	1,132	581	265	1,978
Goodwill				272
Total consideration				2,250
Satisfied by:				
Cash				2,000
Deferred contingent cash consideration				250
				2,250
Net cash outflow arising on acquisition				
Cash consideration				2,250
Cash and cash equivalents acquired				(240)
				2,010

Acquisition related costs of £66,000 were incurred in the year. These have been recognised in the consolidated statement of comprehensive income.

The intangible assets acquired with the business comprise £261,000 for non-contractual customer relationships and £107,000 for the order book.

The goodwill arising on the acquisition of Al-Met Limited is mainly attributable to the skills and talent of the workforce and the anticipated value of the new business that the operation is capable of securing.

The deferred contingent cash consideration of £250,000 is payable if orders received by Al-Met Limited in calendar year 2010 exceed £4,000,000. The amount is held in an escrow account independent from the Group. Based on information available, the Directors do not believe that this amount will be repaid to the Group.

The fair value of receivables shown above represents the gross contractual amounts receivable. These have now been collected in full.

Al-Met Limited contributed £2,034,000 to Group revenue and a loss before tax of £153,000 for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on the first day of the financial year, Group revenues for the period would have been £22,959,000 and Group profit before tax would have been approximately £3,522,000.

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

27. Business combinations effective after the reporting date

On 15 October 2010, the Group acquired 100% of the issued share capital of Hydratron Limited ('Hydratron').

The Hydratron Group of companies designs, manufactures and sells a range of air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs. It has operations in the UK, US and Australia, together with distribution outlets in key locations around the world.

The Directors believe the acquisition provides good growth prospects and diversifies the Group's activities. An initial cash payment of £2.5 million was paid on completion. This will be followed by two deferred payments of £400,000 to be paid in October 2011 and August 2012.

The exercise to identify and measure the fair value of the net assets acquired is currently in progress and consequently no such information is disclosed.

In its last financial statements for the year ended 30 April 2010 (unaudited), the Hydratron Group reported revenues of £4 million. Net assets of the Group were in the region of £1.1 million and profit before tax was £0.3 million.

Company balance sheet

As at 2 October 2010

	Notes	**2010 £'000**	2009 £'000
Fixed assets			
Investments	4	**3,358**	1,021
Intangible assets	5	**300**	380
		3,658	1,401
Current assets			
Debtors	6	**403**	301
Cash at bank and in hand		**5,331**	6,634
		5,734	6,935
Creditors: amounts falling due within one year	7	**(576)**	(528)
Net current assets		**5,158**	6,407
Net assets		**8,816**	7,808
Capital and reserves			
Called up share capital	8	**567**	567
Share premium account	9	**5,341**	5,341
Equity – non distributable	9	**41**	20
Profit and loss account	9	**2,867**	1,880
Equity shareholders' funds	10	**8,816**	7,808

The notes on pages 51 to 53 form part of these financial statements.

Approved by the Board on 7 December 2010 and signed on its behalf by:

JTS Hayward
Director

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

Notes to the Company financial statements

1. Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 2006. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit for the financial year dealt within the financial statements of the holding Company was £1,746,000 (2009: £1,190,000).

Investments

Investments in subsidiary undertakings are stated at cost subject to provision for impairment where the underlying business does not support the carrying value of the investment. Where the ownership of investments have been transferred between Group undertakings, this has been accounted for at nominal value under the provisions of merger relief.

Pensions

The Company makes contributions to a defined contribution scheme with costs being charged to the profit and loss account in the period to which they relate.

Share based payments

The share option programme allows Pressure Technologies plc to grant options to Group employees to acquire shares in Pressure Technologies plc. The fair value is measured at the date of granting the options and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as fair value is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting. Deferred taxation is recognised over the vesting period.

Where the individuals are employed by the parent Company, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. Where the individuals are employed by a subsidiary undertaking, the fair value of options to purchase shares in the Company that have been issued to employees of subsidiary companies is recognised as an additional cost of investment by the parent Company. An equal amount is credited to other equity reserves. This treatment is in accordance with UITF 44 and FRS 20: Share based payments.

2. Employees

Average weekly number of employees, including Executive Directors:

	2010 Number	2009 Number
Administration	**4**	3

Staff costs, including Directors:

	2010 £'000	2009 £'000
Wages and salaries	**239**	278
Social security costs	**31**	28
Other pension costs	**22**	18
Share based payments	**12**	1
	304	325

Further details of Directors' remuneration are provided in note 6 to the consolidated financial statements.

3. Operating profit

The Auditors' remuneration for the audit and other services is disclosed in note 5 to the consolidated financial statements.

Notes to the Company financial statements continued

4. Investments

	Investment in subsidiary companies £'000
Cost	
At 4 October 2009	1,021
Additions (see note 26 to the consolidated financial statements)	2,250
Acquisition costs	66
Share options granted to subsidiary company employees	21
At 2 October 2010	**3,358**

The principal subsidiaries which are all 100% owned, are:

Name	Country of incorporation	Principal activity
Chesterfield Pressure Systems Group Limited ("CPSG")	England & Wales	Management company
Chesterfield Special Cylinders Limited ("CSC")	England & Wales	Manufacturing
Al-Met Limited	England & Wales	Manufacturing
Chesterfield BioGas Limited ("CBG")	England & Wales	Manufacturing

The trade and assets of the biogas division of CSC were transferred to CBG with effect from 3 October 2010.

5. Intangible assets

	Licence and distribution agreement £'000
Cost	
At 4 October 2009 and 2 October 2010	400
Amortisation	
At 4 October 2009	20
Charge for the period	80
At 2 October 2010	**100**
Net book value	
At 2 October 2010	**300**
At 3 October 2009	380

6. Debtors

	2010 £'000	2009 £'000
Amounts: falling due within one year		
Prepayments and accrued income	**41**	27
Amounts owed by Group undertakings	**362**	272
Corporation tax	**—**	2
	403	301

Overview 01-07
Review 08-13
Corporate information 14-20
Financial information 21-53

7. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	**35**	22
Other tax and social security	**7**	11
Accruals and deferred income	**69**	76
Amounts owed by Group undertakings	**465**	419
	576	528

8. Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in note 22 to the consolidated financial statements.

9. Reserves

	Share premium account 2010 £'000	**Equity – non distributable 2010 £'000**	**Profit and loss account 2010 £'000**	Share premium account 2009 £'000	Equity – non distributable 2009 £'000	Profit and loss account 2009 £'000
At beginning of period	**5,341**	**20**	**1,880**	5,341	9	1,392
Profit for the financial period	**—**	**—**	**1,746**	—	—	1,190
Share option costs	**—**	**—**	**12**	—	—	1
Share options granted to subsidiary employees	**—**	**21**	**—**	—	11	—
Dividends	**—**	**—**	**(771)**	—	—	(703)
At end of period	**5,341**	**41**	**2,867**	5,341	20	1,880

10. Reconciliation of movements in equity shareholders' funds

	2010 £'000	2009 £'000
Equity shareholders' funds at beginning of period	**7,808**	7,309
Profit for the financial period	**1,746**	1,190
Dividends paid	**(771)**	(703)
Share option costs	**12**	1
Share options granted to subsidiary employees	**21**	11
Equity shareholders' funds at end of period	**8,816**	7,808

11. Post balance sheet events

On 15 October 2010, the Company acquired 100% of the issued share capital of Hydratron Limited. Further details are given in note 27 to the consolidated financial statements.

Design and Production
www.carrkamasa.co.uk

Photography
Charlie Fawell

Print
www.thecolourhouse.com

Printed on Revive 50:50. This paper comes from sustainable forests and is fully recyclable and biodegradable. Made from 50% recovered waste and 50% virgin fibre. The manufacturers of the paper and the printer are accredited with ISO 14001 environmental management system.

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
FSC www.fsc.org Cert no. SGS-COC-2524
© 1996 Forest Stewardship Council

Pressure Technologies plc
Meadowhall Road
Sheffield
S9 1BT
UK

Telephone +44 (0) 114 242 7500
Fax +44 (0) 114 242 7502
www.pressuretechnologies.co.uk