Pressure Technologies

INTERIM REPORT 2016

A specialist engineering Group supplying safety-critical products and services

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Pressure Technologies was founded on its leading market position as a designer and manufacturer of high pressure systems serving the global energy, defence and industrial gases markets. Today it continues to serve those markets from a broader engineering base with specialist precision engineering businesses and has a worldwide presence in Alternative Energy as the global leader in biogas upgrading.

On the cover: Keeron Manley, year two apprentice at Al-Met

FINANCIAL

- Revenue of £17 million (2015: £32.1 million)
- Adjusted operating loss* at £0.9 million (2015: £2.6 million profit)
- Reported profit before tax of £0.7 million (2015: £0.5 million loss)
- Adjusted earnings per share* loss of 8.5p (2015: 12.1p)
- Reported basic earnings per share 7.0p (2015: 3.4p loss)
- Operational cash generation** of £2.1 million (2015: £3.8 million)
- Net debt reduced to £6.1 million (2015: £7.5 million)
- Interim dividend nil (2015: 2.8p)

* Pre acquisition costs, amortisation on acquired businesses and exceptional charges and credits

** After payment of redundancy and reorganisation costs

OPERATIONAL

- Alternative Energy has secured six contracts year to date and launched the 'Kauri' – the world's largest single water wash upgrader
- Short-term order pipeline for Alternative Energy of 11 projects totalling £26.2 million in core markets
- Cylinders defence order book to 2020 of £10 million
- Al-Met and Roota winning new customers and gaining market share
- Gross Margins preserved as direct costs reduced in line with lower sales revenues
- Overall headcount reduced by 25% since October 2014 but core skills retained ready for the oil and gas market return
- Productivity gains and improved technical capabilites achieved across the Group

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CHAIRMAN'S STATEMENT

"The current trading volumes are masking the underlying strength of the Group, which is in good shape to weather these market conditions. The increasing contribution from the Alternative Energy Division will provide a cushion to Group results and diversification in our other divisions, together with eventual recovery in oil and gas, gives the Board confidence in the medium and long term outlook for the Group."

The decline in the price of crude oil reached the bottom in January 2016 and has seen a slow, but steady recovery to US$ 40-50/bbl levels in May 2016. This turnaround was helped by a rebalancing of supply versus demand, mainly due to long-anticipated reductions in production from tight oil fields located in the USA, with a knock-on impact in oil inventories.

The business impact of the unprecedented drop in oil price has been devastating for many companies, with reports of businesses involved in tight oil exploration and production becoming insolvent and even multi-national oil companies posting substantial financial losses and implementing extensive cost cutting initiatives.

From the outset, Pressure Technologies has taken significant steps in the divisions exposed to oil and gas markets to align costs with deteriorating market conditions to remain competitive, being careful to retain core skills wherever possible. Compared to the first half of 2015 financial year, Group revenues from the oil and gas market fell by almost half continuing the decline experienced in the second half of 2015 financial year. The Board is confident that sufficient action has taken place to ensure that the profitable Cylinders and Precision Machined Components divisions will continue to be so in the second half. Restructuring of the Engineered Products division was partially completed in the period but further action is required in the second half to return this division to profitability.

The drivers for sales revenues in the Alternative Energy Division are green energy targets and associated subsidies. Contracts are complex, involving several partners, planning and environmental permit issues. Compared to the corresponding period, there was a reduction in sales due to the phasing of projects. However, with significant sales revenues forecast for the second-half, the Alternative Energy Division is expected to be profitable for the full year as renewable energy markets expand.

RESULTS

Revenues for the 26 weeks to 2 April 2016 have reduced to £17.0 million (2015: £32.1 million) but this should be considered against a record first half in 2015 for the newly enlarged Group, which had yet to feel the impact of the downturn in the oil and gas market. The impact of the reduction in turnover was a loss of £0.9 million at the operating level, before acquisition costs, amortisation and exceptional items (2015: £2.6 million profit).

Reorganisation and redundancy costs in the period were £0.3 million. Since October 2014 headcount has reduced by 25%, a further 5% on that reported in December, giving total annualised savings of over £3.0 million at a cost of £0.8 million. We continue however, to invest in the business, particularly where productivity efficiencies can be gained. This also includes R&D for Greenlane, investment in Cylinders expansion into the US market and where new technologies can help expand our product offering.

The remaining provision for deferred consideration of £3.3 million (net of foreign currency losses on revaluation), relating to the acquired Greenlane business, has been released. Whilst the Alternative Energy Division will be profitable, the delays in timing of orders means the relevant businesses are no longer expected to hit the future trigger points for the earn out payments, which are fixed with the financial year. Given this is a non-trading item it has been disclosed as exceptional.

Operating cash generation in the first half was £2.4 million before reorganisation and redundancy costs of £0.3 million. This was driven by profitability in the Precision Machined Components and Cylinders divisions, along with a Group wide reduction in working capital. After dividend payments of £0.8 million, servicing of finance of £0.2 million, and capital expenditure of £0.4 million the net cash inflow in the first half was £0.9 million. Net Debt at £6.1 million was lower, both than in the corresponding period and at the year-end and banking covenants were complied with. The Group is expected to remain cash generative at an operating level in the second half, however the effect of continued low volumes will have an impact on the quantum. This should be sufficient to fund the payment of the final Roota deferred consideration due in the fourth quarter.

The Group has a number of investments to make to underpin profitability at current trading levels and any upturn in our core oil and gas market will lead to a short-term requirement to increase working capital. As a consequence the Board has taken the decision not to pay an interim dividend. A decision on a recommendation for the final dividend will be taken prior to release of the preliminary results in December 2016.

PRECISION MACHINED COMPONENTS DIVISION

	2016 £m	2015 £m
Revenue	**6.6**	11.6
Operating profit*	**1.0**	3.3

Set in the context of lower investment in the oil and gas sector the first-half results were encouraging. Al-Met's world-class lead-times and Roota's niche capability for machining complex geometrical shapes in unforgiving materials have given both increased market share and developed new customers in the falling market. Quadscot has experienced more difficult trading conditions due to its primary end market being in equipment for subsea oil exploration and production and a larger pool of competitors chasing volume at low prices.

Customer ordering patterns remain unpredictable. October to January order intake was reasonable given market conditions but there was a marked deterioration in February and March followed by a significant increase in orders for April and May at Roota and Al-Met. Requests for quotations on larger projects have increased, which suggests that planning for an up-turn in investment is underway but as yet we are not seeing this translated into order placement.

Headcount reduction has continued in the division as we continue to align costs with current order levels. At the same time technical capability has been strengthened through recruitment which is yielding improvements in processes which, as volumes recover, will give rise to significant productivity gains.

The division has continued to seek out opportunities for diversification away from the oil and gas market and I am pleased to announce that Al-Met has now secured "Fit for Nuclear" accreditation and Roota is well advanced in the accreditation process.

ENGINEERED PRODUCTS DIVISION

	2016 £m	2015 £m
Revenue	**2.9**	4.7
Operating profit*	**(0.5)**	0.1

The division which operates out of Altrincham in the UK and Houston in the USA has in the last 12 months been completely restructured. Headcount has been reduced by around a third and has included a strengthening of the management and commercial teams. The whole business, not just the manufacturing, is in the process of implementing a lean operating system to reduce lead times and costs. As part of this a major product rationalisation is also being undertaken to reduce the variety and complexity of products. These changes position this business well for the upturn and to expand its products into markets outside of oil and gas.

Development of distributor networks has continued with additional distributors appointed in the Arabian Gulf.

In the USA, Hydratron Inc has launched a rental alternative to purchase of its high pressure pump units. The rental market for equipment has expanded recently as capital spending has been reduced.

As we have previously reported, this division has suffered from the decline in discretionary spend in the oil and gas market and that, coupled with the restructure, had a significant impact on its profitability for the period. The restructuring is now largely completed and we anticipate that the divisional performance will improve in the second half.

CYLINDERS DIVISION

	2016 £m	2015 £m
Revenue	**4.8**	7.8
Operating profit*	**0.2**	1.1

First-half results, when compared to 2015, were impacted by the reduced orders both for the oil and gas market and timing of deliveries on defence contracts. Long order lead-times for the division's larger contracts give significantly better market visibility when compared to the Precision Machined Components Division and the Engineered Products Division and give confidence for the full-year result.

The division's primary market focus has changed from oil and gas to defence as investment in new drill-ships and semi-submersible rigs has come to a halt. Expansion into export naval markets over the last decade has given the division a good base-load of contracts. We have firm naval defence orders through to 2020 of a solid £10 million. In addition, the pipeline remains strong and the recent announcement by the Australian Government to build 12 submarines based on a French design for which we already provide cylinders is very encouraging. Our ability to not only manufacture but also provide life support for our products is known to the Australians. We continue to make progress in the US defence market, albeit slow, but more opportunities are opening up in the US industrial gases market where our pricing is competitive.

Our Integrity Management service offering is also now focused in the defence market as the oil and gas market has cut back spend on maintenance. Orders for the defence market are for both in-situ retest and repair and factory based cylinder cleaning for oxygen service.

An increase in retest activity in the transportable gases market is starting due to the phasing of 10 year retests for trailer fleets in the UK.

As with the other divisions, headcount has reduced with activity but the capability to respond to an upturn in the oil and gas market has been maintained. Investment in recent years in forging technology continues to give productivity gains and cost savings.

ALTERNATIVE ENERGY DIVISION

	2016 £m	2015 £m
Revenue	**3.2**	8.0
Operating loss*	**(0.9)**	(0.9)

The division has made considerable progress in terms of contract wins, quality of contracts, pipeline and product development.

As at 14 June 2016 we have secured year-to-date contracts for six upgrading projects, totalling £10.0 million. Two of these projects are repeat orders with existing customers in the UK and one is in Europe. Three are in North America and include a first contract to provide equipment to clean biogas to a standard meeting California's stringent Rule 30 regulations.

Immediate prospects in the pipeline include a first contract for our Kauri water wash upgrader plant which is the world's largest single plant, capable of processing 5,000 cubic metres of biogas per hour. This is an important model for the industry as it significantly reduces customers' capital costs on high volume biogas projects.

Market activity is most marked in the UK and North America where we are concentrating our sales effort. In Europe, the Netherlands, Italy and France have developing markets where we have a number of projects at an advanced stage of negotiation. Outside of these core markets, we also continue to market into China and Brazil but a tightening of funding, partially through government subsidies, is slowing the development of these markets.

As previously highlighted, the timing of contract wins is critical to both divisional and Group results and the period to the end of August will determine sales revenues and profit levels for the year. There are currently 14 projects with a medium to high probability of order placement before financial year end, totalling £30.3 million. Of these, 11 projects, totalling £26.2 million, are in our core markets.

Prospects remain positive for 2017 with a good pipeline of potential follow on projects. Beyond 2017 we expect to see new markets develop in Australia, New Zealand, India, Malaysia and other areas of South East Asia.

OUTLOOK

Underlying fundamentals in the oil and gas market remain unchanged: demand will increase in line with population growth and the knock-on impact in increasing wealth generation, particularly in non-OECD countries. The key to short-term recovery in business prospects is a restoration of confidence that oil price volatility is behind us, so that oil company business plans can be enacted. Whilst the oil price has shown signs of recovery since January, the Board believes that general market conditions will remain as they are, at least, for the duration of 2016.

The current trading volumes are masking the underlying strength of the Group, which is in good shape to weather these market conditions. The increasing contribution from the Alternative Energy Division will provide a cushion to Group results and diversification in our other divisions, together with eventual recovery in oil and gas, gives the Board confidence in the medium and long term outlook for the Group.

ALAN WILSON
Chairman
14 June 2016

*Pre-acquisition costs, amortisation and exceptional items

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 2 April 2016

	Note	**Unaudited 26 weeks ended 2 April 2016 £'000**	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Revenue	2	**16,981**	32,120	55,570
Cost of sales		**(11,571)**	(22,466)	(39,892)
Gross profit		**5,410**	9,654	15,678
Administration expenses		**(6,349)**	(7,052)	(12,383)
Operating (loss)/profit pre acquisition costs, amortisation and exceptional items		**(939)**	2,602	3,295
Acquisition related exceptional items and amortisation	3	**2,195**	(1,333)	(291)
Other exceptional (charges) and credits	4	**(326)**	(5)	(425)
Operating profit		**930**	1,264	2,579
Finance income		**—**	—	15
Finance costs		**(208)**	(227)	(457)
Exceptional costs in relation to loans to KGTM	4	**—**	(1,408)	(1,408)
Share of loss of associate		**—**	(151)	(151)
Profit/(loss) before taxation		**722**	(522)	578
Taxation	5	**281**	28	121
Profit/(loss) for the financial period		**1,003**	(494)	699
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Currency differences on retranslation of foreign operations		**(157)**	(55)	(10)
Total comprehensive income for the period attributable to the owners of the parent		**846**	(549)	689
Earnings/(loss) per share – basic	6	**7.0p**	(3.4)p	4.9p
Earnings/(loss) per share – diluted	6	**6.8p**	(3.4)p	4.8p
(Loss)/earnings per share – adjusted	6	**(8.5)p**	12.1p	14.5p

CONDENSED CONSOLIDATED BALANCE SHEET

As at 2 April 2016

	Note	**Unaudited 2 April 2016 £'000**	Unaudited 28 March 2015 £'000	Audited 3 October 2015 £'000
Non-current assets				
Goodwill		**15,020**	14,771	15,020
Intangible assets		**12,368**	14,575	13,451
Property, plant and equipment		**14,043**	13,915	14,348
Deferred tax asset		**271**	19	270
Trade and other receivables		**—**	134	—
		41,702	43,414	43,089
Current assets				
Inventories		**6,622**	8,183	7,414
Trade and other receivables		**9,485**	20,564	13,539
Cash and cash equivalents	7	**4,333**	4,655	3,459
Derivative financial instruments		**—**	26	26
Current tax asset		**—**	—	82
		20,440	33,428	24,520
Total assets		**62,142**	76,842	67,609
Current liabilities				
Trade and other payables		**(9,322)**	(17,704)	(13,025)
Borrowings	7	**(293)**	(11,749)	(337)
Current tax liabilities		**(45)**	(1,244)	—
		(9,660)	(30,697)	(13,362)
Non-current liabilities				
Other payables		**(3,332)**	(8,035)	(5,078)
Borrowings	7	**(10,105)**	(362)	(10,236)
Deferred tax liabilities		**(2,440)**	(2,484)	(2,592)
		(15,877)	(10,881)	(17,906)
Total liabilities		**(25,537)**	(41,578)	(31,268)
Net assets		**36,605**	35,264	36,341
Equity				
Share capital		**724**	719	721
Share premium account		**21,620**	21,475	21,539
Translation reserve		**(132)**	(20)	25
Profit and loss account		**14,393**	13,090	14,056
Total equity		**36,605**	35,264	36,341

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 2 April 2016

	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 3 October 2015 (audited)	**721**	**21,539**	**25**	**14,056**	**36,341**
Dividends	**—**	**—**	**—**	**(810)**	**(810)**
Share based payments	**—**	**—**	**—**	**144**	**144**
Shares issued	**3**	**81**	**—**	**—**	**84**
Transactions with owners	**3**	**81**	**—**	**(666)**	**(582)**
Profit for the period	**—**	**—**	**—**	**1,003**	**1,003**
Exchange differences arising on retranslation of foreign operations	**—**	**—**	**(157)**	**—**	**(157)**
Total comprehensive income	**—**	**—**	**(157)**	**1,003**	**846**
Balance at 2 April 2016 (unaudited)	**724**	**21,620**	**(132)**	**14,393**	**36,605**

For the 26 weeks ended 28 March 2015

	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 27 September 2014 (audited)	718	21,463	35	14,313	36,529
Dividends	—	—	—	(805)	(805)
Share based payments	—	—	—	76	76
Shares issued	1	12	—	—	13
Transactions with owners	1	12	—	(729)	(716)
Loss for the period	—	—	—	(494)	(494)
Exchange differences arising on retranslation of foreign operations	—	—	(55)	—	(55)
Total comprehensive income	—	—	(55)	(494)	(549)
Balance at 28 March 2015 (unaudited)	719	21,475	(20)	13,090	35,264

For the 53 weeks ended 3 October 2015

	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 27 September 2014 (audited)	718	21,463	35	14,313	36,529
Dividends	—	—	—	(1,209)	(1,209)
Share based payments	—	—	—	253	253
Shares issued	3	76	—	—	79
Transactions with owners	3	76	—	(956)	(877)
Profit for the period	—	—	—	699	699
Exchange differences arising on retranslation of foreign operations	—	—	(10)	—	(10)
Total comprehensive income	—	—	(10)	699	689
Balance at 3 October 2015 (audited)	721	21,539	25	14,056	36,341

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the 26 weeks ended 2 April 2016

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Cash flows from operating activities			
Profit/(loss) after taxation	**1,003**	(494)	699
Adjustments for:			
Depreciation	**686**	548	1,370
Finance costs – net	**208**	227	442
Amortisation of intangible assets	**1,094**	1,156	2,280
Profit on disposal of fixed assets	**(4)**	(3)	(10)
Share option costs	**144**	62	253
Taxation credit recognised in income statement	**(281)**	(28)	(121)
Loss on derivative financial instruments	**26**	17	17
Exceptional charges associated with Kelley GTM	**—**	1,408	1,408
Exceptional deferred consideration released and revaluation	**(3,289)**	—	(2,166)
Other exceptional costs	**—**	5	(322)
Share of losses in associate	**—**	151	151
Decrease in inventories	**792**	925	1,693
Decrease/(increase) in trade and other receivables	**1,325**	(789)	5,964
Increase/(decrease) in trade and other payables	**393**	631	(3,733)
Cash generated from operations	**2,097**	3,816	7,925
Finance costs paid	**(133)**	(107)	(220)
Income tax repaid/(paid)	**247**	(406)	(1,770)
Net cash from operating activities	**2,211**	3,303	5,935
Cash flows from investing activities			
Purchase of property, plant and equipment	**(443)**	(4,588)	(6,250)
Proceeds from sale of fixed assets	**7**	3	181
Cash outflow on purchase of subsidiaries net of cash acquired	**—**	(9,573)	(9,648)
Deferred consideration paid	**—**	(1,400)	(2,000)
Net cash flow used in investing activities	**(436)**	(15,558)	(17,717)
Cash flows from financing activities			
Cash inflow from borrowings	**—**	11,500	10,000
Repayment of borrowings	**(175)**	(154)	(185)
Shares issued	**84**	13	79
Dividends paid	**(810)**	(805)	(1,209)
Receipt of government grants	**—**	—	200
Net cash used for financing activities	**(901)**	10,554	8,885
Net increase/(decrease) in cash and cash equivalents	**874**	(1,701)	(2,897)
Cash and cash equivalents at beginning of period	**3,459**	6,356	6,356
Cash and cash equivalents at end of period	**4,333**	4,655	3,459

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's interim results for the 26 weeks ended 2 April 2016 are prepared in accordance with the Group's accounting policies which are based on the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as adopted by the EU and effective, or expected to be adopted and effective, at 1 October 2016. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS34 "Interim financial reporting" and therefore the interim information is not in full compliance with IFRS. The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2015 annual report and financial statements.

The Group's 2015 financial statements for the 53 weeks ended 3 October 2015 were prepared under IFRS. The auditor's report on these financial statements was unmodified and did not contain statements under Sections 498(2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

The consolidated financial statements are prepared under the historical cost convention as modified to include the revaluation of financial instruments.

The financial information for the 26 weeks ended 2 April 2016 and 28 March 2015 has not been audited or reviewed and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. The unaudited interim financial statements were approved by the Board of Directors on 13 June 2016.

2. SEGMENTAL ANALYSIS

Revenue by destination

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
United Kingdom	**8,185**	17,516	29,250
Other EU	**2,183**	4,762	8,929
Rest of World	**6,613**	9,842	17,391
	16,981	32,120	55,570

Revenue by sector

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Oil and gas	**10,043**	19,765	32,576
Defence	**2,930**	3,512	7,471
Industrial gases	**828**	888	1,502
Alternative energy	**3,180**	7,955	14,021
	16,981	32,120	55,570

Revenue by activity

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Cylinders	**4,768**	7,791	14,343
Precision Machined Components	**6,564**	11,647	18,815
Engineered Products	**2,896**	4,727	8,441
Alternative Energy	**3,151**	7,955	13,971
Intra divisional	**(398)**	—	—
	16,981	32,120	55,570

2. SEGMENTAL ANALYSIS CONTINUED

Profit/(loss) before taxation by activity

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Cylinders	**204**	1,093	2,111
Precision Machined Components	**1,001**	3,306	4,512
Engineered Products	**(494)**	56	(354)
Alternative Energy	**(880)**	(862)	(1,142)
Unallocated central costs	**(770)**	(991)	(1,832)
Operating (loss)/profit pre acquisition costs and related amortisation	**(939)**	2,602	3,295
Acquisition related exceptional items and amortisation	**2,195**	(1,333)	(291)
Other exceptional charges (see note 4)	**(326)**	(5)	(425)
Operating profit	**930**	1,264	2,579
Finance costs	**(208)**	(227)	(442)
Exceptional costs in relation to loans to KGTM	**—**	(1,408)	(1,408)
Share of loss of associate	**—**	(151)	(151)
Profit/(loss) before tax	**722**	(522)	578

The profit/(loss) before taxation by activity is stated before the allocation of Group management charges.

Earnings before interest, taxation, depreciation, and amortisation (EBITDA)

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Adjusted EBITDA	**(253)**	2,999	4,514
Acquisition costs and related exceptional items	**3,289**	(177)	1,989
Other exceptional charges (see note 4)	**(326)**	(5)	(425)
EBITDA	**2,710**	2,817	6,078
Depreciation	**(686)**	(548)	(1,370)
Amortisation re: acquired businesses	**(1,094)**	(1,156)	(2,280)
Exceptional costs in relation to loans to KGTM	**—**	(1,408)	(1,408)
Interest	**(208)**	(227)	(442)
Profit/(loss) before tax	**722**	(522)	578

Amortisation on acquired businesses as set out above consists of the amortisation charged on intangible assets acquired as a result of business combinations in both current and previous periods.

3. ACQUISITION RELATED EXCEPTIONAL ITEMS AND AMORTISATION

Acquisition costs, acquisition related exceptional items and amortisation in relation to intangible assets acquired on business combinations are shown separately in the Condensed Consolidated Statement of Comprehensive Income. A breakdown of those costs can be seen below.

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Amortisation of intangible assets arising on a business combination	**(1,094)**	(1,156)	(2,280)
Acquisition costs	**—**	(177)	(177)
Deferred consideration write back	**3,766**	—	1,749
Foreign currency (loss)/gain on revaluation of deferred consideration liability	**(477)**	—	417
	2,195	(1,333)	(291)

The deferred consideration write back for the 26 weeks ended 2 April 2016 related to the deferred consideration arising from the acquisition of The Greenlane Group. The payment of this consideration is contingent on the future results of the acquired entities. The Directors reviewed forecasts in relation to The Greenlane Group and considered that it was unlikely that the consideration would be paid, and as such it was released. Given the magnitude of the release and the fact that it is non-trading, the Directors considered it appropriate to disclose this as an exceptional item.

The revaluation of deferred consideration liability relates to the exchange differences calculated on the deferred consideration arising from the acquisition of The Greenlane Group, which is denominated in NZ$. Given the large balance and therefore the effect on the results of the Group, the Directors consider it appropriate to disclose this foreign exchange movement as an exceptional item.

4. OTHER EXCEPTIONAL (CHARGES)/CREDITS

Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional items and are disclosed separately on the face of the Consolidated Statement of Comprehensive Income.

An analysis of the amounts presented as exceptional items in these financial statements is given below:

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Operating items			
Release of IFRS rent provision	**—**	322	322
Reorganisation and redundancy	**(257)**	(327)	(747)
Costs in relation to HSE investigation	**(69)**	—	—
	(326)	(5)	(425)
Non-operating items			
Exceptional costs in relation to loans to KGTM	**—**	(1,408)	(1,408)
	—	(1,413)	(1,833)

The release of the IFRS rent provision above related to a provision made in relation to IAS 17 with regards to the lease held by Chesterfield Special Cylinders at the Meadowhall site. Following the purchase of the site by the Group in January 2015, this provision was no longer required and was consequently released. Given its non-operating nature it was disclosed as an exceptional item.

The reorganisation costs relate to costs of restructuring across the Group. They are recognised in accordance with IAS 19.

Costs in relation to the HSE investigation are costs borne by the Group as a direct result of the accident at Chesterfield Special Cylinders which are not recoverable through insurance. Given the non-trading nature of these costs, the Directors consider it appropriate to disclose this as an exceptional item.

The exceptional costs in relation to the options on and loans to KGTM related to provisions made by the Board against the balance of the loans receivable from KGTM, an associated company. Due to the uncertainty of repayment, the entire balance of the loan outstanding has been provided for.

5. TAXATION

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Current tax	**(127)**	153	190
Deferred taxation	**(154)**	(181)	(311)
Taxation credited to the income statement	**(281)**	(28)	(121)

The tax charge differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the consolidated entities.

6. EARNINGS/(LOSS) PER ORDINARY SHARE

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

Adjusted earnings per share shows earnings per share, adjusting for the impact of acquisition costs, the amortisation charged on intangible assets acquired as a result of business combinations, any exceptional items, and for the estimated tax impact, if any, of those costs. Adjusted earnings per share is based on the profits as adjusted divided by the weighted average number of shares in issue.

6. EARNINGS/(LOSS) PER ORDINARY SHARE CONTINUED

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Profit/(loss) after tax for basic and diluted earnings per share	**1,003**	(494)	699

Profit/(loss) after tax for adjusted earnings per share:

Profit/(loss) after tax as above	**1,003**	(494)	699
Acquisition costs	**—**	177	177
Amortisation in relation to intangible assets acquired on business combinations	**1,094**	1,156	2,280
Deferred consideration write back	**(3,766)**	—	(1,749)
Foreign currency gain/loss on revaluation of deferred consideration liability	**477**	—	(417)
Provisions made against investment in KGTM	**—**	1,408	1,408
Other exceptional charges and (credits)	**326**	5	425
Tax movement thereon	**(358)**	(514)	(739)
(Loss)/profit after tax for adjusted earnings per share	**(1,224)**	1,738	2,084

	Number of shares	Number of shares	Number of shares
Weighted average number of shares in issue	**14,427,199**	14,374,585	14,378,392
Dilutive effect of options	**353,996**	258,352	144,690
Diluted weighted average number of shares	**14,781,195**	14,632,937	14,523,082

Earnings/(loss) per share – basic	**7.0p**	(3.4)p	4.9p
Earnings/(loss) per share – diluted	**6.8p**	(3.4)p	4.8p
Adjusted (loss)/earnings per share – basic	**(8.5)p**	12.1p	14.5p

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

7. RECONCILIATION OF NET BORROWINGS

	Unaudited 26 weeks ended 2 April 2016 £'000	Unaudited 26 weeks ended 28 March 2015 £'000	Audited 53 weeks ended 3 October 2015 £'000
Cash and cash equivalents	**4,333**	4,655	3,459
Bank borrowings	**(10,000)**	(11,500)	(10,000)
Finance leases	**(398)**	(611)	(573)
Net borrowings	**(6,065)**	(7,456)	(7,114)

8. CONTINGENT LIABILITIES

Following the fatal accident at Chesterfield Special Cylinders Ltd in June 2015, whilst the Police have confirmed that no charges for manslaughter will be brought and the Inquest returned a verdict of accident, the HSE investigation remains ongoing and is expected to continue at least through 2016. At this time it is not possible to determine with any degree of certainty what, if any, financial penalties may be levied on Chesterfield Special Cylinders or any other group company as a result of this investigation. We continue to cooperate fully with the HSE and at such time as the quantum and likelihood of any penalty is able to be reliably determined further disclosure or provision will be made in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

9. DIVIDENDS

The final dividend for the 52 weeks ended 27 September 2014 of 5.6p per share was paid on 17 March 2015.

The interim dividend for the 53 weeks period ending on 3 October 2015 of 2.8p per share was paid on 7 August 2015.

The final dividend for the 53 weeks period ending on 3 October 2015 of 5.6p per share was paid on 18 March 2016.

No interim dividend for the 52 week period ended 1 October 2016 is proposed.

A copy of the Interim Report will be sent to shareholders shortly and will be available on the Company’s website: www.pressuretechnologies.com.

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