Pressure
Technologies

PRESSURE TECHNOLOGIES PLC
ANNUAL REPORT 2013

A LEADING DESIGNER AND MANUFACTURER OF ENGINEERING SOLUTIONS FOR HIGH PRESSURE MARKETS

Alternative Energy

Engineered Products

Cylinders

A LEADING DESIGNER AND MANUFACTURER OF HIGH PRESSURE ENGINEERING SYSTEMS, SERVING THE GLOBAL ENERGY, DEFENCE AND INDUSTRIAL GASES MARKETS

HIGHLIGHTS

Record revenue
£34.4m
(2012: £30.4m)

Adjusted earnings per share
22.6p
(2012: 12.5p)

Operating profit post acquisition costs and related amortisation
£2.9m
(2012: £1.8m)

Total dividend
7.8p per share
(2012: 7.5p)

Pre-tax profit
£2.9m
(2012: £1.8m)

Operating cash flow
£2.8m
(2012: £1.9m)

Basic earnings per share
19.4p
(2012: 11.2p)

Year end net funds
£4.0m
(2012: £2.7m)

Growth in sales and profits led by the Cylinder and Engineered Products divisions as a result of increased activity in the oil and gas market

Breakthrough for the Alternative Energy division as Chesterfield BioGas wins £4.6 million of major orders for delivery in 2014

Strong order books and pipeline across the Group due to sustained activity in oil and gas, defence and alternative energy

Group pressing on with its strategy of organic and acquisitive diversification

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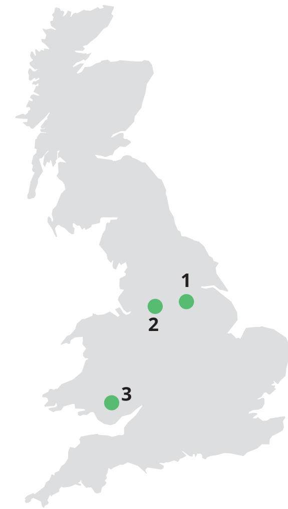
GROUP STRUCTURE

The Group is organised into three divisions: Cylinders (Chesterfield Special Cylinders), Engineered Products (Hydratron and Al-Met) and Alternative Energy (Chesterfield BioGas).

These divisions serve four markets: Oil and Gas, Defence, Industrial Gases and Alternative Energy.



OIL AND GAS

Chesterfield Special Cylinders / Engineered Products

Sales	% of Group Revenue
£27.6m	80%
(2012: £24.1m)	(2012: 79%)

The largest market sector for the Group, Oil and Gas, is and will remain, the focus for development and acquisitions. The market for hydrocarbons is such that even if there is a reduction in their use as a fuel, industrial uses will continue to increase and this will be an important market for decades to come.

Sales into this market grew by 14% in 2013. This was due to a combination of further increases in deep-water oil rig and drillship building where the Cylinder Division supplies air pressure vessels and a major increase in orders for wear parts for subsea trees, a key market for the Engineered Products Division. This increased activity has continued into 2014.

The Cylinder Division, also offers a range of in-situ inspection services that give reductions in cost and time for statutory pressure vessel retest. This service is gaining considerable attention from the market and has won a number of awards for innovation.

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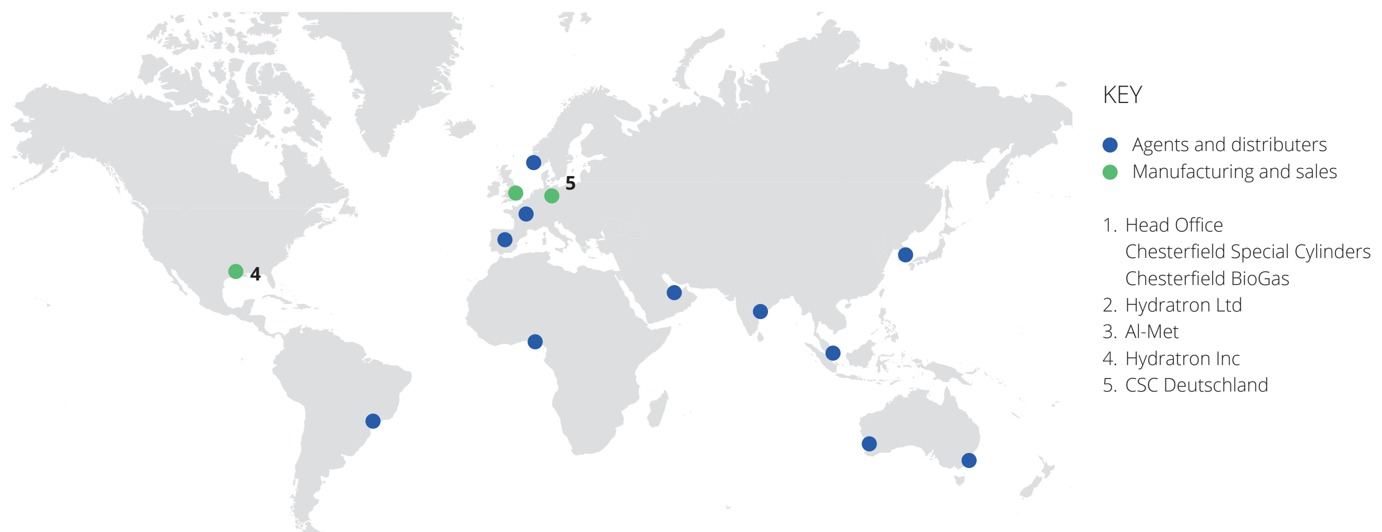

DEFENCE

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Chesterfield Special Cylinders / Engineered Products

Sales	% of Group Revenue
£3.8m	11%
(2012: £2.2m)	(2012: 7%)

The Group supplies the UK and international naval and aerospace markets. Our largest market in this sector is the supply of ultralarge cylinders into the naval market where we have a world-wide reputation for our expertise. We also supply small steel cylinders into the military aerospace sector and our Engineered Products division supplies test equipment into the UK defence sector.

Following the closure of our German competitor in the naval cylinder market, our Cylinder Division was awarded major contracts for the supply of cylinders for naval vessels being built in Germany. Chesterfield Special Cylinders is now the principal supplier of ultralarge cylinders for the naval shipbuilding market in Europe. Outside Europe, we won further contracts for South Korea and our long term aim remains to break into the US naval market.

The Cylinder Division also offers a range of in-situ inspection services and specialist cleaning services into the naval and aerospace sectors.

INDUSTRIAL GASES

Chesterfield Special Cylinders / Engineered Products

Sales	% of Group Revenue
£1.8m	5%
(2012: £3.9m)	(2012: 13%)

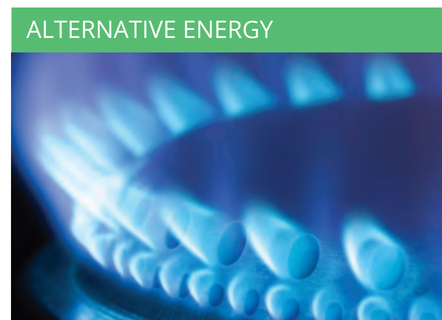
A diverse range of products and services is supplied into this market by our Cylinder Division, ranging from bulk gas storage for large industrial applications to the reconditioning and retest of cylinders and trailers. Our Engineered Products Division supplies a range of test equipment for high pressure components.

Sales into this market were lower than in the prior year as a result of lower sales into the bulk storage and transportation market by the Cylinder Division. There are signs of an upturn in this market and two, innovative, composite cylinder trailers are currently being manufactured for the European market.

In the medium to long term, we expect to see an increase in the bulk storage and transportation of compressed natural gas and hydrogen as result of growth in the alternative fuels market.

As with the Oil and Gas and Defence markets, the Cylinder Division offers a range of in-situ testing services into this market.

ALTERNATIVE ENERGY



Chesterfield BioGas

Sales	% of Group Revenue
£1.2m	4%
(2012: £0.3m)	(2012: 1%)

The Group provides a range of equipment in the UK and Eire for the upgrade of biogas to biomethane for injection into the gas grid, licensed in-perpetuity to our Chesterfield BioGas subsidiary by world market leading Greenlane® Biogas.

Chesterfield BioGas was one of the early entrants into this market and supplied upgrade equipment to the first project to inject biomethane into the UK gas grid in 2010. A second small upgrader was supplied at the beginning of the year under review but a number of regulatory and financial hurdles slowed down major adoption of this technology. In May 2013 the last of these hurdles was resolved and we won two large orders for delivery in 2014 with a combined sales value of £4.6 million. The Division is at an advanced stage of negotiation on a number of follow-on projects.

CHAIRMAN'S STATEMENT

£

Group sales

£34.4m

(2012: £30.4m)

£

Pre-tax profit

£2.9m

(2012: £1.8m)

%

Return on sales

8.4%

(2012: 5.8%)

In this my first year as Chairman of the Group, I am delighted to report a very strong set of results for 2013 and excellent prospects for 2014. Pressure Technologies is a great business, operating in some of the world's most dynamic markets with demanding customers who value our ability to design and manufacture engineering solutions that meet their exacting standards.

There have been major changes to the Board during the year. Neil MacDonald and I joined as non-executive directors and the Group's former Chairman, Richard Shacklady retired in March. I would like to extend the Board's thanks to Richard for his outstanding contribution to the company since 2004, in particular his vision to float the company on AIM, which enabled us to fund the expansion and diversification of the Group.

Results

Group sales for the full-year reached a record £34.4m (2012: £30.4m), which yielded a pre-tax profit of £2.9m (2012: £1.8m), giving a return on sales of 8.4% (2012: 5.8%). It is particularly pleasing to note that large incremental profits were generated in Cylinders and Engineered Products divisions as we benefited from the effects of operational gearing.

The Group's balance sheet continues to strengthen on the improved trading results, with a year-end net asset value of £17.5m (2012: £16.1m), £4.0m of net cash (2012: £2.7m) and no bank debt. As a result of the solid balance sheet and positive trading outlook, the Board is continuing its progressive dividend policy and is recommending a final dividend of 5.2p per share (2012: 5.0p), giving a total of 7.8p per share for the year; a 4% increase on last year. If approved, the final dividend will be paid to shareholders on 7 March 2014.

Trading and Market Conditions

Overall conditions in our largest market, oil & gas, were favourable during the year with the global demand for oil increasing by 1.2%. Oil prices have traded between US$90-120 per barrel over the past three years, with yearly averages stabilising around US$110. This has provided a stable investment environment, whereby spending on oil and gas Exploration and Production (E&P) in 2013 has experienced an estimated increase of 6%, creating a positive impact on our two core sectors: deep water drilling rigs and subsea wellheads.

The quest to find and develop oil fields in deeper waters has put pressure on the ageing stock of drilling rigs, mostly built during the 1970-90s, which has spurred a flurry of orders for sixth-generation ultra-deep water rigs capable of operating in 3,000m water depths. This was strongly reflected in sales in our Cylinders Division and in our continued strong order book. However, many of these new-build orders have been placed with South Korean shipbuilders on a fixed-price, lump-sum basis, which has put pressure on pricing from suppliers of equipment, as shipbuilders try to maximize their profits.

In response to this, our Cylinders Division has continued to develop higher added value services and expanded its portfolio of defence customers, winning major contracts for naval projects in Germany.

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We are aware that the four leading subsea tree manufacturers experienced unprecedented order intake during 2013, which is further confirmation of the quest to find and develop oil in deep water. Encouragingly, such levels of order intake have been very positive for our Engineered Products Division, which has enjoyed record sales and order intake and solid profit growth. This outstanding performance has continued into the first quarter of the current financial year.

Regulatory changes in the UK have resulted in our Alternative Energy Division securing large orders for biogas upgrading equipment for delivery in the current financial year. This is the breakthrough we had anticipated and much credit is due to the Board and management for their vision and perseverance in this venture.

Prospects

Set against market forecasts of global GDP growth for 2014 in the order of 3% the global demand for oil is expected to increase by 1.3%, slightly higher than the previous year. This increased demand will further underpin the oil price and E&P investment, which is forecast to grow by 8% thereby creating a generally positive and encouraging picture for the coming year.

At a more granular level, we have begun the current financial year with an order book 37% higher than last year, so the prospects for a further improvement in performance are very promising. We also continue to develop new products and services across the Group and are planning major capital expenditure over the next two years to expand capacity, improve productivity and quality and increase profitability. In parallel with growing our core businesses, the Board continues to evaluate earnings enhancing acquisitions which complement and add value to our existing portfolio.

I view the current year with much enthusiasm and look forward to presenting further evidence of the Group's ability to capitalise on the opportunities which lie ahead.

Alan Wilson
Chairman
3 December 2013

"Pressure Technologies is a great business, operating in some of the world's most dynamic markets with demanding customers who value our ability to design and manufacture engineering solutions that meet their exacting standards."

FOCUS

WHAT IS BIOGAS UPGRADING?

Biogas is generated as a product of the anaerobic digestion of organic waste. A typical composition could be 60% methane, 39% carbon dioxide ("CO_2") and 1% other gases. Upgrading removes the majority of the CO_2 and other gases to give upwards of 98% pure methane.

The Greenlane® upgrading process uses water under pressure in a process akin to a giant soda syphon. The CO_2 dissolves in the water and the less soluble methane is collected and dried for injection into the natural gas grid.

CHIEF EXECUTIVE'S STATEMENT

CYLINDER DIVISION

Sales
£17.3m
(2012: £16.3m)

Operating profit
£3.6m
(2012: £2.3m)

Net Assets
£6.9m
(2012: £6.8m)

The past year for Pressure Technologies has seen a material step change in our businesses. Once again the Group delivered improved results and the diversification of our businesses continued apace. The major markets of all of the Group's three divisions, Cylinders, Engineered Products and Alternative Energy, are experiencing significant volume growth and there is a real sense that this will be a continuing trend in the mid term.

Cylinder Division

Chesterfield Special Cylinders ("CSC") had a very good year. Continued growth in its principal market, the supply of Air Pressure Vessels ("APVs") for motion compensation systems in the deep water oil and gas market, combined with an increase in delivery schedules to the Naval market, resulted in both increased sales and significantly increased profits.

Pleasingly, the positive trends in the deep water oil and gas market have carried over into the current financial year. Our current order book, in terms of number of projects won, is ahead of the same time last year although market share has been maintained at the expense of the well flagged significant reductions in selling price. Whilst this work remains profitable, these selling price reductions are expected to materially impact margins in the division. We continue to develop the customer base in this market and CSC was awarded US ASME accreditation, which is already leading to additional sales orders in the United States.

Our presence in the naval defence market has continued to expand, particularly since the closure of our European competitor, MCS International. We have won significant orders for vessels being built in German shipyards and we are now the principal supplier of ultra-large cylinders on all major European submarine projects. Our medium term target is penetration of the large US naval market.

Sales of services fell in the year as a result of an anticipated reduction in hydrogen trailer retest and refurbishment for BOC. This was due to a combination of phasing of the retest cycle and a continued downturn in the UK hydrogen market. There are signs of improvement and we have secured new retest and refurbishment contracts from other industrial gases companies.

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We have continued to develop the in-situ retest service for the oil and gas and defence markets. Sales growth for this new service was lower than anticipated, as a result of two projects requiring replacement cylinders following our initial site survey. This will, however, result in additional cylinder sales in the current year. The rate of new in-situ project wins is accelerating and we anticipate that this service will grow rapidly over the next two years. Our long term goal is to generate 50% of divisional profits through sales of services.

The market for new high pressure gas trailers has been moribund. We did, however, secure orders for two new state of the art compressed natural gas ("CNG") trailers for delivery in the current financial year. These trailers, developed with a major industrial gases company, were designed and will be built by CSC using lightweight, composite cylinders supplied by Worthington. As the use of alternative fuels such as CNG and hydrogen increases, we expect the market for this type of trailer and large high pressure storage facilities to increase. CSC is actively engaged in this market through its German subsidiary, CSC Deutschland GmbH.

Major capital spend in the year was centred on improving our forging capability for small cylinders and naval defence cylinders. The Group anticipates spending in the order of £1 million over the next two years to further enhance our capabilities in these areas both in terms of quality and efficiency.

"The past year for Pressure Technologies has seen a material step change in our businesses. Once again the Group delivered improved results and the diversification of our businesses continued apace."

FOCUS

SUPPORTING THE ARMY RESERVE

As well as supplying equipment and technical services to our UK Armed Forces, the Group provides practical support and employment opportunities for service personnel. Chesterfield Special Cylinders has been commended as a supportive employer and for piloting a work experience scheme for Army Reservists. It has been presented with certificate by Brigadier Greville Bibby CBE, Commander 15 (North East) Brigade. The scheme gives Army Reservists not in civilian employment, experience and skills in manufacturing which increases their employability and complements the skills they are developing in the Army Reserve.

Photograph by Corporal Gabriel Moreno, Royal Logistic Corps – Crown Copyright Reserved 2013

ENGINEERED PRODUCTS

Sales

£16.0m

(2012: £13.9m)

Operating profit

£1.6m

(2012: £1.0m)

Net Assets

£7.7m

(2012: £7.7m)

Engineered Products Division

The division is primarily focused on the oil and gas market but, unlike the Cylinder Division, it is not confined to a narrow sector of the market, either geographically or technologically. The division's products are used onshore and in all areas of offshore. The division comprises Hydratron, based in Altrincham and Houston, Texas, and Al-Met in Pontyclun, South Wales. Hydratron manufactures a range of air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs mainly for use in the oil and gas sector. Al-Met produces wear resistant components in a range of high alloy steels and tungsten carbides for use 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.

Al-Met

Al-Met had its best year ever, breaking records for both order intake and sales output, as a result of the rapidly growing subsea tree market and its ability to win greater market share through a focus on on-time in-full delivery. Major improvements to the factory layout and working practices also significantly improved productivity and the management team has been augmented to promote business development and to underpin gains in quality and environmental management.

The increase in order intake has continued into the new financial year and, with subsea tree order lead times to the oil exploration and production sector currently at 18 months, we expect this trend to continue for the foreseeable future. Capital investment of at least £750,000 is planned in the current financial year to increase production capacity and the range of products. Due to the nature of equipment used at Al-Met, finance leasing is available and inexpensive; consequently we are able to spread the cost of purchase so that capital investment is self-financing. As a result, additional equipment over and above the current year's budget will be leased if the current market dynamic continues.

Hydratron

Hydratron saw a sustained upturn in its markets in the second half of the year that more than offset the low order intake of the first quarter which impacted the first half year results. Annual sales in the UK side of the business were the highest ever. In May, the US business was brought under the direct control of the UK and significant progress has been made in strengthening the US sales and design functions. As with Al-Met, both order books and the pipeline remain very strong and we expect to make significant progress in the current year. Similarly, the management team has been strengthened in the area of quality and environmental management. As a result, the company has recently achieved both ISO14001 (environmental) and OHSAS18001 (health and safety) accreditation. These are important milestones for the business where our customers have an increasing focus on both environmental and health and safety management.

During the year, the business has started to reduce the level of in-house manufacture of components in the UK

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to free up additional space for assembly of pumps and systems. This will continue in 2014 and consequently no major investment in plant and equipment is planned. The major expenditure of 2013 was replacement of the IT infrastructure, which will be followed up in the current year by investment in ERP systems to manage the growth and increasing complexity of the business.

Product development is critical to the long-term success of the business. Our major development programme is centred on the automation of control panels and test systems. This has the benefit for the customer of simplifying operations, improving safety and providing a digital audit trail. The latter is particularly important for test systems where our customers' customers are imposing more stringent product certification requirements. Plans are well advanced to increase the resources available for research and development. From January 2014, R&D will be managed separately from engineering under a recently recruited specialist R&D manager. This will allow Hydratron to speed up the time to market for development projects.

Given our success in buying and integrating Al-Met and Hydratron into the Group, we see Engineered Products as an area for further development. There is significant organic growth potential which we will continue to pursue but we are also looking for acquisition opportunities to expand the range of products of the division.

FOCUS

OTIF AIDING GROWTH IN ENGINEERED PRODUCTS

The Group has significant experience in using management techniques developed in the automotive industry to improve our businesses. In Engineered Products, the focus has been on On Time In Full ("OTIF") delivery to our customers. In an industry with a history of poor customer service this is a clear differentiator. OTIF puts our customers first and reduces their costs and inventory levels. The discipline required to achieve OTIF also means that our businesses and supply chain are more efficient and we therefore get the double benefit of higher sales and lower costs.

ALTERNATIVE ENERGY

Sales
£1.1m
(2012: £0.2m)

Operating Loss
£(0.5)m
(2012: £(0.5)m)

Net Assets
£0.2m
(2012: £1.6m)

Alternative Energy

Chesterfield BioGas ("CBG") sells a range of equipment for cleaning raw biogas produced by anaerobic digestion of organic waste. The cleaning process uses water to strip out unwanted gases such as carbon dioxide producing almost pure methane, known as biomethane, which is then injected into the UK natural gas grid. In the energy sector, this is termed Biogas to Grid ("BtG"). CBG was the first company in the UK to provide equipment for BtG at Didcot in 2010.

In October 2012, CBG delivered its second BtG project to a waste processing site in Stockport and this was the reason for the increase in sales over 2012. Losses remained at £0.5 million, as we continued to invest for expected growth in 2014.

In last year's preliminary results presentation, I described the year under review as the "crucial year" for CBG. This has proved to be the case. The remaining regulatory hurdles to large scale injection of biomethane into the UK gas grid were resolved in May and we have seen a transformation of the sales pipeline as large utility companies and processors of organic waste have woken up to the potential of this market. To date we have received orders for delivery of two BtG projects in 2014 with a combined sales value of £4.6 million. Negotiations are at an advanced stage on further BtG projects, which may result in additional sales in the current financial year and give grounds for significant optimism for 2015.

People

As a Group, we recognise the importance of hiring, developing and retaining high calibre people. This is not only necessary to deliver our short term goals but is essential for our medium and long term succession planning.
In the past year, two of our subsidiary Managing Directors have completed strategic decision making courses at Cranfield University; we have two senior managers who have completed MBAs and we continue to support a number of employees in first degree courses, professional qualifications and apprenticeships.
All UK based manufacturing units now have apprentices and we have just recruited five new graduates across the Group. We will continue to seek out the best talent to ensure that we are properly resourced to meet our growth opportunities.

Summary and outlook

The year under review has been another good year for the Group and one in which we have made significant progress in all three divisions. The Group has continued to improve profitability, whilst at the same time improving the quality of these earnings through a better balance of performance across its divisions.

Looking to the current year, there is significant growth potential for the Engineered Products and Alternative Energy divisions. The Cylinder Division has a fantastic opportunity to develop its service offerings, in particular in-situ testing, and this gives the Board confidence for further progress in the year. All operating divisions of the Group are expected to be profitable and we look forward to updating shareholders as the year progresses.

John Hayward
Chief Executive
3 December 2013

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STRATEGY

BUILDING FOR THE FUTURE

GOAL

To build a highly profitable group of companies, specialising in technology for the containment and control of liquids and gases in pressure systems.

STRATEGY

To identify and develop, profitable niche opportunities in growth sectors for pressure products and services through a combination of organic growth and acquisitions.

DELIVERY

1

IDENTIFYING ORGANIC AND ACQUISITION OPPORTUNITIES

Internal focus, drawn from Group knowledge, market research and attending trade events

External focus, capitilising on feedback from customers, agents, distributors and suppliers

2

DEVELOPING PROFITABLE ORGANIC GROWTH OPPORTUNITIES

Structured development programmes with project champions subject to regular Group review

Minimising risk through evolutionary development

"Lean" business specialists at all operating companies focusing on total quality and profit maximisation

3

DEVELOPING PROFITABLE ACQUISITION OPPORTUNITIES

Clear Group acquisition criteria:

- Minimised risk by focusing on closely related technologies and markets with overlapping customer base
- Profitable businesses with significant growth prospects
- Stable management teams capable of delivering growth

Rapid integration of management and financial control

FINANCE DIRECTOR'S REPORT

Revenue

The Group's revenue grew to £34.4m (2012: £30.4m). The growth of 13% was driven by a continued recovery in CSC's oil and gas business, growth in the Engineered Products Division and completion of a biogas upgrader project in the year.

Profitability

The movement in profitability between the two years was as follows:

	2013 £m	2012 £m
Earnings before interest, taxation, depreciation and amortisation ("EBITDA") (Stated before charging acquisition costs of £0.2m in 2013 (see below)	**4.0**	2.9
Depreciation	**(0.6)**	(0.6)
Amortisation – Chesterfield BioGas licence	**(0.1)**	(0.1)
Amortisation – Development costs	**–**	(0.2)
Operating profit pre acquisition costs and amortisation re acquired businesses	**3.3**	2.0
Amortisation charges arising from the acquisition of Al-Met and Hydratron	**(0.2)**	(0.2)
Acquisition related costs	**(0.2)**	–
Profit before taxation	**2.9**	1.8

The Group seeks to target niche markets with good growth prospects and uses return on revenue as a key performance indicator. Our aim is a target return of 15% before taking account of the cost of acquiring subsidiaries and the subsequent amortisation of the intangible assets so acquired.

The cost of the Chesterfield BioGas licence and distribution agreement with Greenlane Biogas is being amortised over a period of 15 years; this being the period over which significant revenues are expected to be generated.

The Board intends to grow the Group both organically and by acquisition and consequently both acquisition related costs and goodwill and intangible assets are expected to be a recurring theme within the annual financial statements.

In the interest of clarity, acquisition costs and the amortisation of intangible assets resulting from acquisitions are shown separately in the Income statement. The relevant costs for the last two years, are as follows:

	2013 £m	2012 £m
Amortisation of intangible assets acquired with Al-Met and Hydratron	**0.2**	0.2
Acquisition related costs	**0.2**	–
Total	**0.4**	0.2

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The remaining carrying value of these intangible assets totalling £0.3m (2012: £0.5m) will be fully amortised over the next two years.

As required by IFRS 3, the costs of market research and professional fees in relation to possible acquisitions are expensed in the year in which they are incurred.

It is pleasing to note that in each of the three years since Al-Met and Hydratron were acquired in 2010 they have generated profits before amortisation charges of over £1m p.a, relative to an acquisition cost (including borrowing assumed) of £5.8m.

The effects on earnings per share of these adjustments are as follows:

	2013 £m	2012 £m
Earnings per share as reported	**19.4p**	11.2p
Adjustment for acquisition costs and related amortisation	**3.2p**	1.3p
Adjusted earnings per share	**22.6p**	12.5p

Taxation

The effective tax rate for the Group in 2013 was 23.6% (2012: 28.5%), which is in line with the UK standard rate of 23.5% as unrelieved US losses were compensated by a reduction in the UK taxation charge as detailed in note 9. Corporation tax paid in the UK during 2013 totalled £0.6m.

Foreign exchange

The Group operates in international markets and accordingly trades in the Euro and the US Dollar, as well as Sterling.

Whilst the level of exposure at any point in time is dependent on the nature of individual contracts, the Group usually has a partial hedge in place as both purchases and sales are made in Euro and also to a lesser extent in US dollars. With the Group's manufacturing activities based mainly in the UK, management estimates that a 5% movement of the Euro against Sterling would affect Group profit by circa £0.5m. The effect on the Group of movements in the US dollar to Sterling exchange rate, as long as it is within normal trading parameters, is not significant.

At the end of September 2013, the Group had contracts in place to sell €3.95m at an average exchange rate of €1.16 to £1 (2012: Contracts in place to sell €3.5m at an average exchange rate of €1.26).

Cash flow

The movement in cash flow can be summarised as follows:

	2013 £m	2012 £m
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**3.8**	2.9
Movement in working capital	**(0.2)**	(0.4)
Capital expenditure (net of disposals)	**(0.8)**	(0.6)
Operating cash flow	**2.8**	1.9
UK Corporation tax paid	**(0.6)**	(0.5)
Dividend paid	**(0.9)**	(0.8)
Acquisition of Hydratron (2012: deferred consideration paid)	**–**	(0.8)
Net movement	**1.3**	(0.2)

Cash flow in 2013 was again strongly positive at the operational level.

Net capital expenditure at £0.8m compares to a depreciation charge of £0.6m.

There are no further deferred consideration payments to be made for either Al-Met or Hydratron.

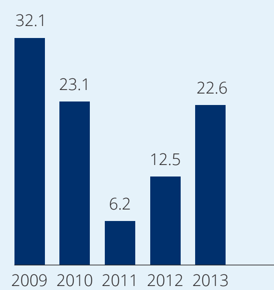
The Group has a strong balance sheet with net funds of £4.0m (2012: £2.7m) and an unused overdraft facility of £3m.

James Lister
Group Finance Director
3 December 2013

KEY PERFORMANCE INDICATORS ("KPIS")

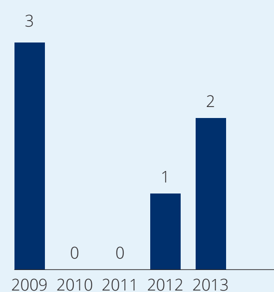
The Board uses key performance indicators when assessing the performance of the Group. These KPIs are divided into three sections:

ADJUSTED EARNINGS PER SHARE – PENCE



22.6p
Adjusted Earnings per Share

REPORTABLE ACCIDENTS



2
Reportable Accidents

Shareholders
Adjusted earnings per share is used as a measure of shareholder return.

In the interest of clarity, as stated in the Finance Director's Report, acquisition costs and the amortisation of intangibles assets resulting from acquisition are shown separately in the income statement. The Board believe the use of adjusted earnings per share is a more appropriate KPI.

Adjusted earnings per share is calculated as the profit before tax adjusted for the add back of acquisition costs and amortisation on acquired businesses, net of tax effects, divided by the weighted average number of shares in issue.

Corporate Social Responsibility (CSR)
This is sub-divided into two areas:

Health & safety
The measure used is reportable accidents where the target is zero across the Group.

Environment
The measure used is number of reportable environmental incidents. Again, the target is zero across the Group.

A full-time health, safety and environmental manager reports directly to the Group Chief Executive on these matters.

Environmental incidents are not graphed as there has been no reportable incident for the five year period.

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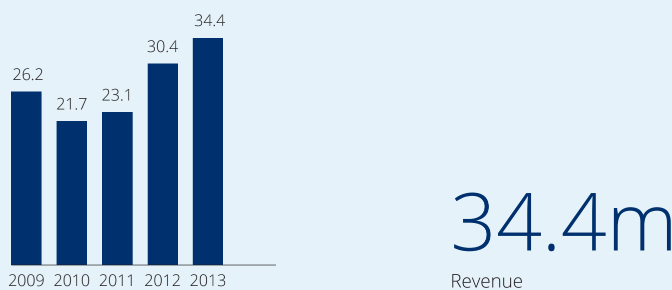
REVENUE – £ MILLION



RETURN ON REVENUE – %

Financial Performance

Growth is measured in terms of sales revenue.

The efficiency of converting sales into profits is measured in terms of return on revenue. Return on revenue is calculated as operating profit pre acquisition costs and related amortisation divided by revenue. It is also stated after excluding Chesterfield BioGas which is still considered to be in start-up mode (see note 1 for the detailed segmental analysis). The Group target return on revenue is 15%.

PRINCIPAL RISKS AND UNCERTAINTIES

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

RISK AND IMPACT	MANAGEMENT STRATEGY
Customer concentration CSC and Al-Met both have one customer accounting for over 45% of their respective sales revenue. The loss of either of these customers would materially affect Group results.	**Development of markets, products and services** Significant management resource is allocated to service the requirements of these customers to maintain customer loyalty.
Market concentration A downturn in the deep water oil and gas sector would have a significant impact on results of both the Cylinder and Engineering Product divisions.	**Development of markets, products and services** The Group has development programmes for new products and services to dilute the proportion of total revenues into these markets and, by growing other activities of the Group, both organically and by acquisition.
Competitive pricing pressures The Group operates in certain markets where its major competitors are based in low cost countries which have considerable cost advantages and they are able to undercut on pricing.	**Reduced dependence on price sensitive business** The Group has set minimum gross margin levels and does not reduce prices to unacceptable levels as experience indicates that these pressures reduce in the medium term. Product development is pursued in order to maintain a technical lead and a range of high value added service offerings is under development to reduce dependence on markets where this pricing pressure exists. Cost reduction through lean manufacturing and supplier development reduces the impact of pricing pressures.
Contract delay CSC earns a significant amount of its revenues from large contracts in the deepwater oil and gas and defence markets and CBG is a start-up business in the Biogas to Grid market. In most cases, individual contracts in these two divisions are material to Group revenues and the timing of such contracts is influenced by a number of factors outside the control of the Group.	**Focused project management** Major contracts are managed through project teams to ensure all elements in the contract quotation and negotiation process that are under our control or influence are managed efficiently and effectively. However, the impact of the timing of individual contracts on half-year and full-year revenue remains a significant risk to the Group.

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RISK AND IMPACT	MANAGEMENT STRATEGY
Supplier concentration The Group derives a high proportion of its raw material supplies from a small number of key suppliers, some of whom are competitors.	**Managing and developing the suppliers** To reduce the inherent risk of supply from competitors, requirements are split across the available supplier base. A constant review is maintained to identify alternative suppliers subject to constraints on pricing and quality.
Production concentration Each subsidiary 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.	**Active site management** Health, safety and environmental risks which could result in site closure are managed on a day to day basis by a designated manager at each site.
Equipment concentration The Group has a number of large pieces of equipment at CSC for which it would be uneconomical to duplicate that equipment to guarantee continuity of supply in the case of major equipment failure. A failure in one of these key pieces of equipment could lead to a prolonged interruption to operations.	**Active equipment management** Key pieces of equipment are subject to on-going maintenance programmes and strategic spares for critical components are held. There remains a risk that, if a major component for which spares cannot be held failed, operations could still see a prolonged interruption.
Staff concentration The Group is small and relies on a small number of key Directors, senior managers and specialists. A loss of a small number of such staff could have a major impact on Group revenues and development.	**Succession planning** 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 Chief Executive and Group Finance Director.
Foreign currency The Group purchases some of its raw materials in both US Dollars and Euros and receives payment for some of its products in Euros. Movements in exchange rates could potentially impact Group revenues.	**Hedging of exchange rate exposures** The Group has natural hedges for much of its foreign currency exposure. Regular reviews of the net exposure are maintained and where it is deemed necessary the exposure is reduced by the use of forward exchange contracts, subject to limits in the Group's banking facility.

DIRECTORS AND ADVISERS

AJS Wilson
Non-executive Chairman

Alan is a degree-qualified Chartered Engineer with 33 years of experience from working in the oil & gas industry, the majority of which has been served at senior management and board level. His experience spans most aspects of the industry life cycle including; oil company operations, major capital projects, support services and product manufacturing. Alan joined the board of Pressure Technologies in February 2013 and also serves as Chairman and Non-executive Director of other private equity-backed and privately owned companies within the oil & gas sector.

JTS Hayward
Chief Executive

John joined the Company in 1997 when it was part of United Engineering Forgings. He led the MBO in 2004 that created Chesterfield Special Cylinders and then assumed the role of Chief Executive of Pressure Technologies on admission to AIM. John is a qualified accountant and has finance and general management experience in the steel, chemicals and engineering sectors. In 2008 he was the UK Ernst and Young Entrepreneur of the Year® for manufacturing. He holds a degree in Physics from Oxford University.

TJ Lister
Finance Director

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.

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PS Cammerman
Non-executive Director

Philip has over 20 years' industrial experience in engineering and hi-tech industries and has worked in both the UK and USA. He spent 23 years in the venture capital industry, playing a major part in the development of the YFM Group into the most active investor in UK SMEs. He retired from all YFM Group businesses in April 2008 following their disposal to GLE Capital.

NF Luckett
Non-executive Director

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.

NA MacDonald
Non-executive Director

Neil is a Chartered Accountant with 25 years of experience in the oil and gas and engineering industries. He was Group Finance Director of AES Engineering Limited (AES), a successful, fast growing, privately owned mechanical seals manufacturer, until September 2012, when he resigned to take up the role of Master of The Company of Cutlers in Hallamshire. Neil remains on the Board of AES as a Non-Executive Director. Prior to this, he was Group Finance Director of the international aerospace company, Firth Rixson. Neil has valuable experience of fast growth in the oil and gas sector and general M&A.

COMPANY INFORMATION

Directors
AJS Wilson
Non-executive Chairman
JTS Hayward
Chief Executive
TJ Lister
Finance Director
PS Cammerman
Non-executive Director
NF Luckett
Non-executive Director
NA MacDonald
Non-executive Director

Secretary
TJ Lister

Registered office
Meadowhall Road
Sheffield
S9 1BT

Registered number
06135104

Website
www.pressuretechnologies.co.uk

Nominated adviser
Charles Stanley Securities
131 Finsbury Pavement
London, EC2A 1NT

Auditors
Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds, LS1 4BN

Solicitors
hlw Keeble Hawson LLP
Commercial House
14 Commercial Street
Sheffield, S1 2AT

Bankers
Lloyds Bank
14 Church Street
Sheffield, S1 1HP

Registrars
Capita Asset Services
Northern House
Woodsome Park
Fenay Bridge
Huddersfield, HD8 0GA

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises four non-executive Directors and is chaired by Philip Cammerman. The committee meets when necessary, usually at least three times annually, and is responsible for determining the remuneration packages of the executive Directors and the Chairman. The remuneration of the non-executive Directors is set by the board annually.

Policy on remuneration of Executive Directors
The committee aims to ensure that the remuneration packages offered are designed to attract, maintain and motivate high calibre Directors without paying more than necessary for this purpose. The remuneration policy and packages attempt to match the interest of the executive with those of shareholders by providing:

a) Basic salary and benefits
Executive Directors' basic salaries are reviewed each year, taking into account the performance of the individual and rates of salary and benefits for similar jobs in companies of comparable size.

Benefits include all assessable tax benefits arising from employment by the Company and relate mainly to the provision of private medical and life assurance cover.

The company pays 5% of basic salary into individual money purchase pension schemes so long as this is matched, by salary sacrifice, by the individual.

b) Annual performance related cash bonus scheme
In order to link executive remuneration to Group performance, executive Directors participate in a cash bonus scheme which, in the event of exceptional performance, can pay out up to a maximum of 50% of basic salary.

c) Long Term Incentive Plan
The company intends to introduce a long term incentive plan whereby, at the discretion of the Remuneration Committee, share options would be granted to executive directors and senior managers on a rolling annual basis.

The extent to which options granted vest will be dependent on the cumulative growth in earnings per share (EPS) over the three year period following the grant relative to the EPS in the period immediately prior to grant as follow:

Increase in EPS over three year period	% of annual salary over which options granted vest
33%	25%
50%	50%
100%	100%

The maximum grant of options in any one year will be fixed at 100% of basic salary for executive directors of Pressure Technologies plc and 50% of salaries for other senior managers in the Group.

The option price will be set at the outset and be in line with the share price at that time. Executives who leave the Group before the expiry of the three year vesting period will lose their right to exercise their options.

d) Service Contracts
All executive Directors have rolling service contracts terminable on no more than one year's notice.

The following graph shows the Company's performance over the previous five year period when compared to the performance of the AIM all share index. The Board and its advisors believe this to be the most appropriate broad equity market index with which to compare the Company's performance.

Total Shareholder Return (TSR) is calculated to show the theoretical growth in the value of a shareholding over a specified period assuming that dividends are reinvested to purchase additional shares.

Directors' Remuneration

Particulars of Directors' emoluments are as follows:

	Salary and fees £'000	**Benefits £'000**	**Bonus £'000**	**Pension £'000**	**Total 2013 £'000**	Total 2012 £'000	**Employers' national insurance 2013 £'000**	Employers' national insurance 2012 £'000
Non-Executive:								
RL Shacklady (Resigned 21 March 2013)	**19**	**—**	**—**	**—**	**19**	30	**—**	—
AJS Wilson (Appointed 12 February 2013)	**38**	**—**	**—**	**—**	**38**	—	**—**	—
PS Cammerman	**28**	**—**	**—**	**—**	**28**	20	**3**	2
NF Luckett	**28**	**—**	**—**	**—**	**28**	20	**2**	2
NA MacDonald (Appointed 4 June 2013)	**10**	**—**	**—**	**—**	**10**	—	**—**	—
Executive:								
JTS Hayward	**145**	**2**	**40**	**15**	**202**	136	**24**	16
TJ Lister	**119**	**2**	**49**	**13**	**183**	115	**22**	13
Total emoluments	**387**	**4**	**89**	**28**	**508**	321	**51**	33

All the payments shown for RL Shacklady were paid to RLS Associates, a partnership which he controls. The remuneration of AJS Wilson and, since April 2013, for NF Luckett, is paid to management companies which they control.

The number of Directors who are accruing benefits under money purchase pension arrangements is two (2012: two).

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

The Group believes that the Directors of Pressure Technologies plc are the only key management personnel under the definition of IAS 24 'Related party disclosures'.

In addition to the above, Directors have received dividends during the year as follows:

	Total 2013 £'000	Total 2012 £'000
Non-Executive:		
RL Shacklady	**3**	5
PS Cammerman	**3**	2
NF Luckett	**4**	4
Executive:		
JTS Hayward	**76**	73
TJ Lister	**1**	—
Total dividends paid to Directors	**87**	84

Directors' Options

The Directors' interests in share options are as follows:

	Date granted	Number	Option price
TJ Lister	7 October 2009	51,612	232.5p
TJ Lister	23 February 2012	73,089	150.5p
TJ Lister	6 August 2012	6,000	150.0p
TJ Lister	9 August 2013	53,000	242.5p

Further details of the share options granted to executive Directors can be found on page 24 of the Directors' report.

On behalf of the Board
Philip Cammerman
Chairman, Remuneration Committee
3 December 2013

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the period from 30 September 2012 to 28 September 2013.

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

Cylinders
Chesterfield Special Cylinders Limited ("CSC") whose principal activities are the design, manufacture, testing and reconditioning of seamless steel high pressure gas cylinders. During the period a new company CSC Deutschland GmbH was incorporated.

Engineered Products
Al-Met Limited ('Al-Met') whose principal activity is the manufacture of precision engineered valve components for use in the oil and gas industry.

The Hydratron Group of Companies', ('Hydratron Ltd' and 'Hydratron Inc') whose principal activity is the design, manufacture and sale of a range of air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs.

Alternative Energy
Chesterfield BioGas Limited ("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 in perpetuity from Greenlane® Biogas of New Zealand.

Results and dividends
The consolidated statement of comprehensive income is set out on page 28. The profit on ordinary activities before taxation of the Group for the period ended 28 September 2013 amounted to £2.878 million (2012: £1.778 million).

An interim dividend of 2.6 p per share was paid during the period (2012: 2.5p). The Directors recommend the payment of a final dividend of 5.2p per share (2012: 5.0p).

Business review
The Chairman's and Chief Executive's Statements on pages 4 to 10 gives a detailed review of the current year's performance.

The operational overview is contained in the Chief Executive's statement on pages 6 to 10.

The financial review is contained in the Finance Director's report on pages 12 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.
- 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 2013 (2012: nil).

DIRECTORS' REPORT CONTINUED

Substantial shareholdings
As at 27 November 2013, 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
The Liontrust Intellectual Capital Trust	1,019,012	9.0%
JTS Hayward	1,002,221	8.8%
Artemis	761,667	6.7%
Hargreave Hale	727,800	6.4%
JW Brown	607,454	5.4%
A Harding	588,333	5.2%
ACUIM	497,990	4.4%
Unicorn	469,967	4.1%

Directors and their interests
The present Directors of the Company are set out on pages 18 and 19.

The following Directors were appointed/resigned during the period;

RL Shacklady	(Resigned 21 March 2013)
AJS Wilson	(Appointed 12 February 2013)
NA MacDonald	(Appointed 4 June 2013)

Ordinary shares	**28 September 2013 No.**	29 September 2012 No.
JTS Hayward	**1,002,221**	1,002,221
PS Cammerman	**33,395**	33,395
TJ Lister	**30,000**	9,800
NF Luckett (including 7,667 shares held by his wife)	**70,000**	52,000

The former chairman, RL Shacklady, held 64,500 shares (including 22,500 held by his wife) at 29 September 2012 and at 21 March 2013.

Share options
On 29 July 2013 options were granted over 57,213 ordinary shares under the rules of the Pressure Technologies plc Save-As-You-Earn Scheme at an exercise price of 156p. The options are exercisable after three years and lapse six months after this date if they are not exercised.

On 9 August 2013, options were granted over 153,000 ordinary shares under the rules of the Pressure Technologies plc Performance Share Plan – Enterprise Management Incentive Plan. The options have an exercise price of 242.5p. The options are exercisable between three and five years following date of grant.

The Directors' interests in share options are disclosed in the report of the Remuneration Committee.

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

The Group's principal financial instruments comprise cash and bank deposits 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 financial instruments by the Company and its subsidiaries is given in note 21 to the consolidated financial statements.

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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 engages, promotes, and trains staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress.

Going concern
Management has produced forecasts for all business units which have been reviewed by the Directors. These demonstrate that the Group is forecast to generate profits and cash in 2013/2014 and beyond and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed.

As such, 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
There are no post balance sheet events to note.

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 Group financial statements for each financial year. Under that law the Directors have to prepare the Group's 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). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and parent Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

DIRECTORS' REPORT CONTINUED

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

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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.

Auditor
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
The annual report 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
3 December 2013

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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 28 September 2013 which comprise the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 27 to the Group consolidated financial statements and notes 1 to 14 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 page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

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 28 September 2013 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs 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.

Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
3 December 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 28 September 2013

	Notes	**52 weeks ended 28 September 2013 £'000**	52 weeks ended 29 September 2012 £'000
Revenue	1	**34,383**	30,442
Cost of sales		**(24,088)**	(22,704)
Gross profit		**10,295**	7,738
Administration expenses		**(7,012)**	(5,788)
Operating profit pre acquisition costs and amortisation on acquired businesses	1	**3,283**	1,950
Acquisition costs and amortisation on acquired businesses	5	**(407)**	(190)
Operating profit post acquisition costs and amortisation on acquired businesses		**2,876**	1,760
Finance income	2	**11**	27
Finance costs	3	**(9)**	(9)
Profit before taxation	4	**2,878**	1,778
Taxation	9	**(678)**	(507)
Profit for the period attributable to owners of the parent		**2,200**	1,271
Other comprehensive income			
Items that may be reclassified subsequently to profit of loss:			
Currency translation differences on translation of foreign operations		**19**	9
Total comprehensive income for the period attributable to the owners of the parent		**2,219**	1,280
Earnings per share – basic	10	**19.4p**	11.2p
– diluted	10	**19.2p**	11.2p

All the above results are from continuing operations.

The accounting policies and notes on pages 32 to 54 form part of these financial statements.

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CONSOLIDATED BALANCE SHEET

As at 28 September 2013

	Notes	**28 September 2013 £'000**	29 September 2012 £'000
Non-current assets			
Goodwill	12	**1,964**	1,964
Intangible assets	13	**1,221**	1,478
Property, plant and equipment	14	**4,767**	4,654
Deferred tax asset	22	**138**	110
Trade and other receivables	17	**163**	152
		8,253	8,358
Current assets			
Inventories	16	**7,206**	6,922
Trade and other receivables	17	**8,705**	7,257
Cash and cash equivalents		**4,044**	2,693
Derivative financial instruments	18	**71**	—
		20,026	16,872
Total assets		**28,279**	25,230
Current liabilities			
Trade and other payables	19	**(9,236)**	(7,651)
Derivative financial instruments	18	**—**	(23)
Borrowings	20	**—**	(6)
Current tax liabilities		**(448)**	(252)
		(9,684)	(7,932)
Non-current liabilities			
Other payables	19	**(593)**	(655)
Deferred tax liabilities	22	**(538)**	(588)
		(1,131)	(1,243)
Total liabilities		**(10,815)**	(9,175)
Net assets		**17,464**	16,055
Equity			
Share capital	23	**568**	568
Share premium account		**5,387**	5,378
Translation reserve		**25**	6
Retained earnings		**11,484**	10,103
Total equity		**17,464**	16,055

The accounting policies and notes on pages 32 to 54 form part of these financial statements.

The financial statements were approved by the Board on 3 December 2013 and signed on its behalf by:

JTS Hayward
Director
Company number: 06135104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 28 September 2013

	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 October 2011	567	5,369	(3)	9,605	15,538
Dividends	—	—	—	(829)	(829)
Share based payments	—	—	—	56	56
Shares issued	1	9	—	—	10
Transactions with owners	1	9	—	(773)	(763)
Profit for the period	—	—	—	1,271	1,271
Other comprehensive income:					
Exchange differences on translating foreign operations	—	—	9	—	9
Total comprehensive income	—	—	9	1,271	1,280
Balance at 29 September 2012	568	5,378	6	10,103	16,055
Dividends	—	—	—	(863)	(863)
Share based payments	—	—	—	44	44
Shares issued	—	9	—	—	9
Transactions with owners	—	9	—	(819)	(810)
Profit for the period	—	—	—	2,200	2,200
Other comprehensive income:					
Exchange differences on translating foreign operations	—	—	19	—	19
Total comprehensive income	—	—	19	2,200	2,219
Balance at 28 September 2013	**568**	**5,387**	**25**	**11,484**	**17,464**

The accounting policies and notes on pages 32 to 54 form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 28 September 2013

	Notes	**52 weeks ended 28 September 2013 £'000**	52 weeks ended 29 September 2012 £'000
Operating activities			
Cash flows from operating activities	25	**3,544**	2,573
Finance costs paid		**(8)**	(9)
Income tax paid		**(558)**	(514)
Net cash inflow from operating activities		**2,978**	2,050
Investing activities			
Interest received		**—**	2
Proceeds from sale of fixed assets		**9**	84
Purchase of property, plant and equipment		**(776)**	(727)
Deferred purchase consideration		**—**	(800)
Net cash used in investing activities		**(767)**	(1,441)
Financing activities			
Repayment of borrowings		**(6)**	(36)
Dividends paid		**(863)**	(829)
Shares issued		**9**	10
Net cash outflow from financing activities		**(860)**	(855)
Net increase/(decrease) in cash and cash equivalents		**1,351**	(246)
Cash and cash equivalents at beginning of period		**2,693**	2,939
Cash and cash equivalents at end of period		**4,044**	2,693

The accounting policies and notes on pages 32 to 54 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 55 to 59.

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ended 28 September 2013. The consolidated financial statements have been prepared on a going concern basis.

Management has produced forecasts for all business units which have been reviewed by the Directors. These demonstrate the Group is forecast to generate profits and cash in 2013/2014 and beyond and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed.

As such, 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.

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

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 beginning on or after the dates given below and are expected to be relevant to the financial statements. These standards will be effective in future periods:

- IFRS 7 (amendments) Disclosures – Offsetting Financial assets and liabilities (effective 1 January 2014)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee benefits (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- IAS 32 (amendments) Offsetting Financial assets and liabilities (effective 1 January 2014)
- IAS 36 (amendments) Impairment of assets (effective 1 January 2014)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)

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.

Changes in accounting policies
Adoption of 'Presentation of Items of Other Comprehensive Income' (Amendments to IAS 1).

The Group has applied the amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' for the first time in the current year. The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012 and require entities to group items presented in other comprehensive income (OCI) into those that, in accordance with other IFRS, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met.

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:

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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 IAS 18 'Revenue'. In particular, consideration is given as to whether the significant risks and rewards of ownership are considered to have transferred to the buyer.

Capitalisation of development costs

The Group capitalises costs in relation to development projects where the specific recognition criteria are met. The key judgement required to capitalise costs is whether future revenues will exceed total forecast capitalised costs. Management make this judgement based on their knowledge of the project, the size of the market into which it can be sold and the expected demand for the project. Once capitalised, the assets are reviewed for impairment at each reporting date as explained below.

Impairment reviews – intangible assets

The Group has acquired, through business combinations and through other acquisitions, intangible assets and capitalised certain assets, such as licence agreements and development costs, which are expected to generate revenue in the future but at a reporting period end may not have generated significant income at that time. At each reporting period date, the Directors review the likelihood of the assets generating income, the period over which this is likely to be achieved and the potential income that can be generated. Where it is probable the future fair value of income will be in excess of capitalised costs the assets are held within the balance sheet at cost. Where this is not the case, an impairment charge will be recorded to adjust the assets to fair value.

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 28 September 2013 (2012: to 29 September 2012). Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights. The consolidated financial statements of the Group incorporate the financial statements of the parent Company as well as those entities controlled by the Group by full consolidation.

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations and goodwill

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of:

- fair value of consideration transferred;
- the recognised amount of any non-controlling interest in the acquiree; and
- acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets.

If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

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.

ACCOUNTING POLICIES CONTINUED

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 rewards 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 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.

Engineered Products
In applying the above policy, revenue is recognised in the Engineered Products segment when production is complete, the goods are ready to be despatched and substantially all the risks and rewards associated with the product have passed to the customer. 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 share options 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 estimates used for residual values and useful lives are reviewed as required, but at least annually. 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.

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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 15 years, being the period over which the Directors have assessed that significant revenues will be generated.

Development costs
Development costs are recognised at cost, net of amortisation or provision for impairment, where the recognition requirements under IAS38 Intangible assets are met. These are:

- it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the projects;
- the Group has the ability to use or sell the asset; and
- the cost of the asset can be measured reliably.

These costs are capitalised up to the point development is complete and the asset is then amortised over the period which the asset is expected to generate income. If at any point the development costs fail to meet the recognition requirements of IAS 38, the costs are expensed through the statement of comprehensive income.

Intangible assets acquired as part of a business combination
In accordance with IFRS 3 '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	Over life of the order book – typically one year
Non-contractual customer relationships	Five 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. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 IAS 17 '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 where 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 profit or loss 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.

ACCOUNTING POLICIES CONTINUED

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 recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

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 other comprehensive income.

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 profit or loss. 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 on loans and receivables is omitted where the effect is immaterial. However, where it is required, the asset is held at fair value after discounting and the difference is recognised in the profit and loss account under financing costs. Long term retentions due on contracts are the main balances where such treatment is required.

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. After initial recognition, 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.

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 and reserves
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.

The translation reserve is used to record foreign exchange translation differences that occur as a result of the translation of overseas subsidiary undertakings' financial statements into the presentation currency of the consolidated financial statements.

Retained earnings include all current and prior period results as disclosed in the consolidated statement of comprehensive income.

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 profit or loss. 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.

The consolidated financial statements are presented in Pounds Sterling, which is also the functional currency of the parent company.

The results of overseas subsidiary undertakings are translated at the average exchange rate (being an approximation to the rate at the date of transactions throughout the year) and the balance sheets of such undertakings are translated at the year-end exchange rates. Exchange differences arising on the retranslation of opening net assets of overseas subsidiary undertakings are charged/credited to other comprehensive income and recognised in the translation reserve in equity. On disposal of a foreign operation the cumulative translation differences are transferred to profit or loss as part of the gain or loss on disposal.

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 profit or loss over the expected useful lives of the assets concerned. Other grants are credited to profit or loss in the same period as the related expenditure is incurred.

Pensions
The Group operates defined contribution schemes with costs being charged to profit or loss in the period to which they relate.

Segment reporting
IFRS 8 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 operating 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, air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs.
- 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.

The reported segment, Engineered Products, is an aggregate of operating segments Hydratron Ltd, Hydratron Inc and Al-Met Limited.

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 28 September 2013	Cylinders £'000	Engineered Products £'000	Alternative Energy £'000	Unallocated Amounts** £'000	Total £'000
Revenue					
– from external customers	17,306	15,942	1,135	—	34,383
Operating profit/(loss) before acquisition costs	3,558	1,562	(480)	(1,357)	3,283
Acquisition costs*	—	(187)	—	(220)	(407)
Operating profit/(loss)	3,558	1,375	(480)	(1,577)	2,876
Net finance income/(costs)	7	(2)	—	(3)	2
Profit/(loss) before tax	3,565	1,373	(480)	(1,580)	2,878
Segmental net assets* **	6,940	7,728	153	2,643	17,464
Other segment information:					
Capital expenditure	396	362	6	12	776
Depreciation	295	309	34	8	646
Amortisation	—	187	70	—	257

Period ended 29 September 2012	Cylinders £'000	Engineered Products £'000	Alternative Energy £'000	Unallocated Amounts** £'000	Total £'000
Revenue					
– from external customers	16,306	13,912	224	—	30,442
Operating profit/(loss) before acquisition costs	2,303	1,017	(494)	(876)	1,950
Acquisition costs****	—	(190)	—	—	(190)
Operating profit/(loss)	2,303	827	(494)	(876)	1,760
Net finance income/(costs)	26	(8)	—	—	18
Profit/(loss) before tax	2,329	819	(494)	(876)	1,778
Segmental net assets* **	6,815	7,703	1,632	(95)	16,055
Other segment information:					
Capital expenditure	446	275	6	—	727
Depreciation	275	331	33	—	639
Amortisation	224	190	70	—	484

*Acquisition costs include the amortisation of intangible assets acquired through business acquisitions, and fees associated with making acquisitions.

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

*** Segmental net assets comprise the net assets of each division adjusted to reflect the elimination of the cost of investment in subsidiaries and the provision of financing loans provided by Pressure Technologies plc.

****Acquisition costs include the amortisation of intangible assets acquired through business acquisitions.

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1. Segment analysis continued

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

Revenue	**2013 £'000**	2012 £'000
United Kingdom	**10,639**	10,307
Europe	**5,690**	4,275
Rest of the World	**18,054**	15,860
	34,383	30,442

The UK is the entity's country of domicile with revenue of £10,639,000 (2012: £10,307,000) being obtained during the period.

Revenue of £23,744,000 (2012: £20,135,000) has been generated overseas.

The Group's largest customer contributed 34% to the Group's revenue (2012: 38%) which is reported within the Cylinders segment. No other customer contributed more than 10% in the year to 28 September 2013 (2012: Nil).

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

Revenue	**2013 £'000**	2012 £'000
Oil and gas	**27,640**	24,051
Defence	**3,793**	2,190
Industrial gases	**1,793**	3,888
Alternative energy	**1,157**	313
	34,383	30,442

The above table is provided for the benefit of shareholders. It is not provided to the PT board on a regular monthly basis and consequently does not form part of the divisional segmental analysis.

The following table provides an analysis of the carrying amount of non-current assets, additions to property, plant and equipment.

	United Kingdom 2013 £'000	**Rest of the World 2013 £'000**	**Total 2013 £'000**	United Kingdom 2012 £'000	Rest of the World 2012 £'000	Total 2012 £'000
Non-current assets	**8,188**	**65**	**8,253**	8,333	25	8,358
Additions to property, plant and equipment	**724**	**52**	**776**	706	21	727

2. Finance income

	2013 £'000	2012 £'000
Interest receivable on bank deposits	**—**	2
Fair value discounting adjustment on loans and receivables (note 17)	**11**	25
	11	27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Finance costs

	2013 £'000	2012 £'000
Interest payable on bank loans and overdrafts	**5**	3
Interest payable on finance leases	**1**	6
Other interest	**3**	—
	9	9

4. Profit before taxation

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

	2013 £'000	2012 £'000
Depreciation of property, plant and equipment – owned assets	**646**	624
Depreciation of property, plant and equipment – assets under finance lease and hire purchase agreements	**—**	15
(Profit)/loss on disposal of fixed assets	**8**	(1)
Amortisation of intangible assets – licence and distribution agreement	**70**	70
– development costs	**—**	50
Impairment of intangible assets – development costs	**—**	174
Amortisation of grants receivable	**(39)**	(37)
Staff costs (see note 7)	**6,904**	6,485
Cost of inventories recognised as an expense	**16,327**	15,019
Operating lease rentals:		
– Land and buildings	**627**	624
– Machinery and equipment	**66**	44
Foreign currency loss	**275**	134

5. Acquisition costs and amortisation on acquired businesses

	2013 £'000	2012 £'000
Amortisation of intangible assets arising on a business combination	**187**	190
Acquisition costs – fees	**220**	—
	407	190

6. Auditor's remuneration

	2013 £'000	2012 £'000
Fees payable to the Company's Auditor for the audit of the financial statements	**13**	14
Fees payable to the Company's Auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**36**	39
Fees payable to the Group's Auditor for non-audit services:		
– Tax services	**21**	13
– Other services	**10**	15

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7. Employee costs

Particulars of employees, including Executive Directors:

	2013 £'000	2012 £'000
Wages and salaries	**6,080**	5,729
Social security costs	**608**	545
Other pension costs	**172**	155
Share based payments	**44**	56
	6,904	6,485

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

	2013 No.	2012 No.
Production	**151**	140
Selling and distribution	**17**	19
Administration	**23**	18
	191	178

8. Directors' emoluments

Particulars of Directors' emoluments are as follows:

	2013 £'000	2012 £'000
Emoluments – short term employee benefits	**480**	297
Pension costs – post employment benefits	**28**	24
Employers' national insurance	**51**	33
	559	354

Please see the Report of the Remuneration Committee on pages 20 to 22 for full details of Directors' emoluments which have been audited.

Included in the aggregate emoluments for the period ended 28 September 2013 are payments of £72,000 (2012: £30,000) made by the company to third parties. The highest paid Director received total emoluments of £202,000 including pension contributions of £15,000 (2012: total emoluments of £136,000 including pension contributions of £13,000).

The Group believe that the Directors of Pressure Technologies plc are the only key management personnel under the definition of IAS 24 'Related party disclosures'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Taxation

	2013 £'000	2012 £'000
Current tax		
Current tax expense	**775**	578
Over provision in respect of prior years	**(19)**	(2)
	756	576
Deferred tax		
Origination and reversal of temporary differences	**(74)**	(76)
(Over)/under provision in respect of prior years	**(4)**	6
Total taxation charge	**678**	507

Corporation tax is calculated at 23.5% (2012: 25%) of the estimated assessable profit for the period. Deferred tax is calculated at 20% (2012: 23%).

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

	2013 £'000	2012 £'000
Profit before taxation	**2,878**	1,778
Theoretical tax at UK corporation tax rate 23.5% (2012: 25%)	**676**	444
Effects of:		
– non-deductible expenses	**39**	(2)
– disallowable acquisition costs	**52**	—
– Research and development allowance	**(115)**	—
– adjustments in respect of prior years	**(23)**	4
– effect of unrealised overseas losses	**121**	64
– change in taxation rates	**(72)**	(3)
Total taxation charge	**678**	507

10. Earnings per ordinary share

Basic and diluted earnings per share have been calculated 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.

	2013 £'000	2012 £'000
Profit after tax	**2,200**	1,271

	No.	No.
Weighted average number of shares – basic	**11,361,221**	11,350,099
Dilutive effect of share options	**78,069**	—
Weighted average number of shares – diluted	**11,439,290**	11,350,099
Basic earnings per share	**19.4p**	11.2p
Diluted earnings per share	**19.2p**	11.2p

11. Dividends

The following dividend payments have been made on the ordinary 5p shares in issue:

	Rate	Date	Shares in issue	**2013 £'000**	2012 £'000
Final 2010/11	4.8p	9 March 2012	11,356,179	**—**	545
Interim 2011/12	2.5p	6 August 2012	11,356,179	**—**	284
Final 2011/12	5.0p	8 March 2013	11,362,229	**568**	—
Interim 2012/13	2.6p	8 August 2013	11,362,229	**295**	—
				863	829

At 28 September 2013 the 2012/13 final dividend had not been approved by Shareholders and consequently this has not been included as a liability. The proposed dividend of 5.2p per share, will if approved at the AGM, be paid on 7 March 2014 at a total cost of £591,000.

12. Goodwill

	Total £'000
Cost	
At 29 September 2012 and 28 September 2013	1,964

Engineered Product division	Date of acquisition	Original cost £'000
Al-Met Limited	February 2010	272
The Hydratron Group	October 2010	1,692
		1,964

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. The Group has two separate cash generating units (CGUs) both held within the Engineered Product division, Al Met Limited and The Hydratron Group.

The Group tests annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations, covering a four year forecast and applying a discount rate of 3.1% which equates to the Group's weighted average cost of capital. The same discount rate is used for both CGUs due to the similarities of the businesses.

The forecast for year one is the forecast approved by management and used within the Group. The forecasts used for years two to four are conservative, with no assumed growth on year one cash flow figures and have been based on the extrapolated year one forecast. No terminal value has been assumed in this calculation.

Management's key assumptions are based on their past experience and future expectations of the market over the longer term.

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs.

Apart from the considerations described in determining the value-in-use of the cash generating unit above, the Group management does not believe that possible changes on the assumptions underlying the value in use calculation would have an impact on the carrying value of goodwill.

After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management believe that no impairment is required. Management is not aware of any other changes that would necessitate changes to its key estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. Intangible assets

	Licence and distribution agreement £'000	Development expenditure £'000	Customer order book £'000	Non contractual customer relationships £'000	Total £'000
Cost					
At 29 September 2012 and 28 September 2013	**1,200**	**234**	**197**	**937**	**2,568**
Amortisation					
At 1 October 2011	183	10	197	216	606
Charge for the period	70	50	—	190	310
Impairment losses	—	174	—	—	174
At 29 September 2012	253	234	197	406	1,090
Charge for the period	70	—	—	187	257
At 28 September 2013	**323**	**234**	**197**	**593**	**1,347**
Net book value					
At 28 September 2013	**877**	**—**	**—**	**344**	**1,221**
At 29 September 2012	947	—	—	531	1,478
Remaining useful economic life at 28 September 2013	13 years	—	—	2 years	

An impairment loss of £nil (2012: £174,000) was recognised for development expenditure reducing the value to £nil at the prior year end. All amortisation and impairment charges are included in the Consolidated statement of comprehensive income. The cumulative aggregate impairment loss is £174,000.

14. Property, plant and equipment

	Plant and machinery £'000
Cost	
At 1 October 2011	7,638
Additions	727
Disposals	(593)
At 29 September 2012	7,772
Additions	776
Disposals	(391)
At 28 September 2013	**8,157**
Depreciation	
At 1 October 2011	2,989
Charge for the period	639
Disposed of in the period	(510)
At 29 September 2012	3,118
Charge for the period	646
Disposed of in the period	(374)
At 28 September 2013	**3,390**
Net book value	
At 28 September 2013	**4,767**
At 29 September 2012	4,654

Included within the net book value of £4,767,000 is £nil (2012: £159,000) 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 £nil (2012: £15,000).

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15. 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 57.

16. Inventories

	2013 £'000	2012 £'000
Raw materials and consumables	**3,649**	4,002
Work in progress	**3,557**	2,920
	7,206	6,922

Included in the total net value above are gross inventories of £1,668,000 (2012: £751,000) over which provisions have been made of £707,000 (2012: £528,000).

17. Trade and other receivables

	2013 £'000	2012 £'000
Current		
Trade receivables	**6,796**	6,194
Other receivables	**399**	113
Prepayments and accrued income	**1,510**	950
	8,705	7,257

	2013 £'000	2012 £'000
Non-current		
Accrued income	**163**	152
	163	152

Included in non-current accrued income are debts not due for settlement for a number of years. Management have reviewed the book value of these assets and applied discounting to reduce the balances by £20,000 (2012: £31,000) to a fair value of £163,000 (2012: £152,000). The release during the year was £11,000 (2012: £25,000).

The average credit period taken on the sale of goods and services was 63 days (2012: 54 days) in respect of the Group. One debtor accounted for over 10% of trade receivables and represented 24% of the total balance. In 2012, two debtors accounted for over 10% of trade receivables and represented 21% and 13% of the total balance respectively.

Ageing of past due but not impaired receivables:

	2013 £'000	2012 £'000
Days past due:		
0 – 30 days	**825**	859
31 – 60 days	**365**	381
61 – 90 days	**106**	—
91 – 120 days	**20**	11
121+ days	**100**	38
Total	**1,416**	1,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Derivative financial instruments

	2013 £'000	2012 £'000
Derivatives carried at fair value not recognised for hedge accounting		
– Forward foreign currency contracts	**71**	(23)
Asset/(liability)	**71**	(23)

19. Trade and other payables

	2013 £'000	2012 £'000
Amounts due within 12 months		
Trade payables	**2,903**	2,977
Other tax and social security	**329**	227
Accruals and deferred income	**6,004**	4,447
Total due within 12 months	**9,236**	7,651
Amounts due after 12 months		
Other payables	**337**	348
Deferred income	**256**	307
Total due after 12 months	**593**	655

Other payables due after 12 months relate to rental lease incentives, the benefits of which are spread over the life of the lease.

Deferred income due after 12 months relates to grant income received. There are no unfulfilled conditions or other contingencies attached to these grants.

20. Borrowings

	2013 £'000	2012 £'000
Secured borrowings		
Net obligations under finance leases	**—**	6
Amounts due for settlement within 12 months	**—**	6

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

	2013 £'000	2012 £'000
Due within one year	**—**	6

Obligations under finance leases are secured on the plant & machinery assets to which they relate.

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21. 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 20, 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.

	2013 £'000	2012 £'000
Debt	**—**	(6)
Cash and cash equivalents	**4,044**	2,693
Net cash	**4,044**	2,687
Equity	**17,464**	16,055

Debt is defined as long and short-term borrowings, as detailed in note 20. 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:

	2013 £'000	2012 £'000
Financial assets		
Loans and receivables:		
– Trade receivables	**6,796**	6,194
– Other receivables	**399**	113
– Cash and cash equivalents	**4,044**	2,693
Fair value through the profit and loss (FVTPL):		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**71**	—
	11,310	9,000

	2013 £'000	2012 £'000
Financial liabilities		
Fair value through profit and loss (FVTPL):		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**—**	23
Financial liabilities – held at amortised cost:		
– Trade payables	**2,903**	2,977
– Accruals	**2,129**	1,476
Borrowings	**—**	6
	5,032	4,482

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. 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.

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 2013 £'000	Financial assets 2012 £'000	**Financial liabilities 2013 £'000**	Financial liabilities 2012 £'000
Euro	**3,994**	2,796	**1,863**	2,695
Norwegian Krone	**6**	6	**30**	—
US Dollar	**522**	487	**215**	290
	4,522	3,289	**2,108**	2,985

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 2013 £'000	Euro currency impact 2012 £'000	**Norwegian Krone currency impact 2013 £'000**	Norwegian Krone currency impact 2012 £'000	**US Dollar currency impact 2013 £'000**	US Dollar currency impact 2012 £'000
Profit or loss	**194**	9	**2**	1	**28**	18

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.

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21. 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 28 September 2013, the Group had contracts outstanding to sell €3.950 million for £3.393 million (2012: sell €3.525 million for £2.794 million).

The fair value of forward foreign exchange contracts at 28 September 2013 gave rise to a gain of £71,000 (2012: loss of £23,000).

Interest rate risk management

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 £15,000 (2012: £14,000).

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 33% (2012: 34%) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. Financial instruments continued

At 28 September 2013 the Group's liabilities have contractual maturities summarised below:

2013	**Current within 6 months £'000**	**Current 6-12 months £'000**	**Non-current 1 to 5 years £'000**	**Total net payable £'000**
Trade and other payables	**6,824**	**1,248**	**835**	**8,907**

2012	Current within 6 months £'000	Current 6-12 months £'000	Non-current 1 to 5 years £'000	Total net payable £'000
Trade and other payables	6,733	—	691	7,424
Amounts due under hire purchase agreements	6	—	—	6
	6,739	—	691	7,430

The Group had an un-drawn bank overdraft facility available at 28 September 2013 of £3,000,000 (2012: £2,000,000) which is due for renewal on 28 February 2014.

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

	2013 £'000	2012 £'000
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**(71)**	23
Amounts charged/(credited) to cost of sales within the consolidated statement of comprehensive income	**(71)**	23

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.

22. 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 1 October 2011	(690)	(102)	131	9	105	(547)
Credit/(charge) to income	224	(20)	(114)	4	(25)	69
At 29 September 2012	(466)	(122)	17	13	80	(478)
Credit/(charge) to income	(4)	54	34	6	(12)	78
At 28 September 2013	**(470)**	**(68)**	**51**	**19**	**68**	**(400)**

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

	2013 £'000	2012 £'000
Non-current asset		
Deferred tax asset	**138**	110
Non-current liabilities		
Deferred tax liabilities	**(538)**	(588)
	(400)	(478)

23. Called up share capital

	2013 No.	2012 No.	**2013 £'000**	2012 £'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	**11,362,229**	11,356,179	**568**	568

During the year, the Company issued 6,050 ordinary shares at a price of 150p increasing share capital by £303 and share premium £8,773. These shares were issued to employees exercising their rights to acquire shares under the company's SAYE/share option plan.

24. 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 fifth grant of options was made in July 2013. 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:

	2013 No.	2012 No.
Outstanding and exercisable at the beginning of the period	**128,537**	106,815
Granted during the period	**57,213**	52,440
Lapsed during the period	**(9,757)**	(24,063)
Exercised during the period	**(6,050)**	(6,655)
Expired during the period	**(3,872)**	—
Outstanding and exercisable at the end of the period	**166,071**	128,537

The weighted average exercise price of the share options exercised in the period is 150p (2012: 150p).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Share based payments continued

The exercisable options outstanding at 28 September 2013 had a weighted average exercise price of 152p (2012: 150p) and a weighted average remaining contractual life of 1.8 years (2012: 2.1 years). The terms of these options are as follows:

Date of grant	Options outstanding at 28 September 2013	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
28 July 2011	64,725	3 years	160	150	6 months
6 August 2012	46,440	3 years	175	150	6 months
29 July 2013	54,906	3 years	247.5	156	6 months
Total options outstanding at 28 September 2013	**166,071**				

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

Pressure Technologies plc Performance Share Plan – Enterprise Management Plan

On 9 August 2013 options were granted over 153,000 ordinary shares under the rules of the Pressure Technologies plc Performance Share Plan – Enterprise Management Plan at an exercise price of 242.5p, being the market value at the date the options were granted. These options are exercisable between three and five 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:

	2013 No.	2012 No.
Outstanding and exercisable at the beginning of the period	**104,768**	73,117
Granted during the period	**153,000**	53,156
Lapsed during the period	**—**	(21,505)
Outstanding and exercisable at the end of the period	**257,768**	104,768

The exercisable options outstanding at 28 September 2013 had a weighted average exercise price of 221.5p (2012: 190.9p) and a weighted average remaining contractual life of 3.8 years (2012: 3.2 years). The terms of these options are as follows:

Date of grant	Options outstanding at 28 September 2013	Vesting period	Market value at date of grant (p)	Exercise price (p)
7 October 2009	51,612	3 – 5 years	232.5	232.5
23 February 2012	53,156	3 – 5 years	150.5	150.5
9 August 2013	153,000	3 – 5 years	242.5	242.5
Total options outstanding at 28 September 2013	**257,768**			

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

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24. Share based payments continued

Pressure Technologies plc Performance Share Plan – Share Options Plan

Pressure Technologies plc introduced this share option scheme in February 2012. 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:

	2013 No.	2012 No.
Outstanding and exercisable at the beginning of the period	**73,089**	—
Granted during the period	**—**	73,089
Outstanding and exercisable at the end of the period	**73,089**	73,089

The exercisable options outstanding at 28 September 2013 had a weighted average exercise price of 150.5p (2012: 150.5p) and a weighted average remaining contractual life of 3.4 years (2012: 4.4 years). The terms of these options are as follows:

Date of grant	Options outstanding at 28 September 2013	Vesting period	Market value at date of grant (p)	Exercise price (p)
23 February 2012	73,089	3 – 5 years	150.5	150.5

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

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

Scheme: Date granted:	Enterprise Management Plan 09/08/2013	Save-As-You-Earn 29/07/2013
Share price at date of offer	242.5p	195p
Exercise price	242.5p	156p
Expected volatility	19%	15%
Expected life	3-5 years	3 years
Risk free rate	1.4%	1.3%
Expected dividend yield	3.3%	5.1%

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 pay out pattern at the date of issue of the options.

In line with HMRC approved schemes, share options under the Save-As-You-Earn scheme may be exercisable at a discount of up to 20% of the market value of the shares at the time of issue.

The total charge to the consolidated statement of comprehensive income in the period in respect of share-based payments was £44,000 (2012: £56,000). A deferred tax credit of £6,000 (2012: £4,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Consolidated cash flow statement

	2013 £'000	2012 £'000
Profit after tax	**2,200**	1,271
Adjustments for:		
Finance (income) – net	**(2)**	(18)
Depreciation of property, plant and equipment	**646**	639
Amortisation of intangible assets	**257**	484
Share option costs	**44**	56
Income tax expense	**678**	507
(Profit)/ loss on derivative financial instruments	**(71)**	23
Loss /(profit) on disposal of fixed assets	**8**	(1)
Changes in working capital:		
(Increase) in inventories	**(284)**	(1,910)
(Increase) in trade and other receivables	**(1,448)**	(598)
Increase in trade and other payables	**1,516**	2,120
Cash flows from operating activities	**3,544**	2,573

26. Financial commitments

(a) Capital commitments

Commitments for capital expenditure entered into were as follows:

	2013 £'000	2012 £'000
Contracted for, but not provided in the accounts	**—**	—

(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:

	2013 £'000	2012 £'000
Land and buildings, leases expiring:		
Within one year	**641**	624
In the second to fifth years inclusive	**2,711**	2,624
After more than five years	**1,517**	2,167
	4,869	5,415
Other assets, leases expiring:		
Within one year	**53**	44
In the second to fifth years inclusive	**56**	35
	109	79

The operating lease commitment on land and buildings includes the following significant commitments:

- a 15 year lease commenced on 1 July 2005 with rent reviews every five years on the Group factory and offices at Meadowhall, Sheffield;
- a secondary 15 year lease commenced on the same date with rent reviews every five years for the end bays at Meadowhall, Sheffield;
- a third lease was entered into on 7 February 2010, expiring on the same date as the two leases above, for new offices at the above address;
- a 15 year lease for Al-Met Limited's property commenced on 10 November 2010 with rent reviews at the end of year 5 and year 10 of the term; and
- Hydratron Limited's 10 year property lease commenced on 28 October 2010 and has a rent review at the end of year 5.

27. Related party transactions

The interests of Directors in dividends paid during the year are disclosed in the Report of the Remuneration Committee which has been audited.

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COMPANY BALANCE SHEET

As at 28 September 2013

	Notes	**2013 £'000**	2012 £'000
Fixed assets			
Investments	4	**6,373**	6,344
Tangible fixed assets	5	**4**	—
		6,377	6,344
Current assets			
Debtors	6	**4,528**	5,528
Cash at bank and in hand		**2,181**	75
		6,709	5,603
Creditors: amounts falling due within one year	7	**(530)**	(338)
Net current assets		**6,179**	5,265
Total assets less current liabilities		**12,556**	11,609
Provisions for liabilities	10	**8**	—
Net assets		**12,564**	11,609
Capital and reserves			
Called up share capital	9	**568**	568
Share premium account	11	**5,387**	5,378
Equity – non distributable	11	**114**	85
Profit and loss account	11	**6,495**	5,578
Equity shareholders' funds	12	**12,564**	11,609

The accounting policies and notes on pages 56 to 59 form part of these financial statements.

Approved by the Board on 3 December 2013 and signed on its behalf by:

JTS Hayward
Director

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 £1,765,000 (2012: £2,302,000) after applying a tax credit (note 8) of £8,000 (2012: £nil) to the profit before tax of £1,757,000 (2012: £2,302,000).

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 has been transferred between Group undertakings, this has been accounted for at nominal value under the provisions of merger relief.

Fixed assets and depreciation
Fixed assets are stated at cost less accumulated depreciation and any reduction for recognised impairment in value with a corresponding charge to the profit and loss account. Cost reflects purchase price or construction cost of the asset together with any incidental costs of bringing the asset into use. 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	One year

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.

2. Employees
Average weekly number of employees, including Executive Directors:

	2013 Number	2012 Number
Administration	**5**	5

Staff costs, including Directors:

	2013 £'000	2012 £'000
Wages and salaries	**455**	389
Social security costs	**59**	46
Other pension costs	**43**	39
Share based payments	**15**	21
	572	495

Further details of Directors' remuneration are provided in the Report of the Remuneration Committee on pages 20 to 22.

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3. Operating profit

The Auditor's remuneration for the audit and other services is disclosed in note 6 to the consolidated financial statements.

4. Investments

	Investment in subsidiary companies £'000
Cost	
At 29 September 2012	6,344
Share options granted to subsidiary company employees	29
At 28 September 2013	**6,373**

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

Name	Country of incorporation	Principal activity
Al-Met Limited	England & Wales	Manufacturing
Chesterfield BioGas Limited ("CBG")	England & Wales	Manufacturing
Chesterfield Special Cylinders Limited ("CSC")	England & Wales	Manufacturing
CSC Deutschland GmbH	Germany	Sales and marketing
Hydratron Limited	England & Wales	Manufacturing
Hydratron Inc	USA	Manufacturing

5. Tangible fixed assets

	Plant and machinery £'000
Cost	
At 29 September 2012	—
Additions	12
At 28 September 2013	**12**
Depreciation	
At 29 September 2012	—
Charge for the period	8
At 28 September 2013	**8**
Net book value	
At 28 September 2013	**4**
At 29 September 2012	—

6. Debtors

	2013 £'000	2012 £'000
Amounts: falling due within one year		
Prepayments and accrued income	**194**	116
Other debtors	**100**	—
Amounts owed by Group companies	**4,234**	5,412
	4,528	5,528

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

7. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	**87**	36
Other tax and social security	**16**	12
Corporation tax	**1**	—
Accruals and deferred income	**426**	58
Amounts owed to Group companies	**—**	232
	530	338

8. Taxation

	2013 £'000	2012 £'000
Current tax		
Current tax expense	**1**	—
Over provision in respect of prior years	**(1)**	—
	—	—
Deferred tax		
Origination and reversal of temporary differences	**(8)**	—
Total taxation charge	**(8)**	—

Corporation tax is calculated at 23.5% (2012: 25%) of the estimated assessable profit for the period. Deferred tax is calculated at 20% (2012: 23%).

9. Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in note 23 to the consolidated financial statements.

10. Provisions for liabilities

Deferred tax

	2013 £'000	2012 £'000
At 30 September 2012	**—**	—
Credit for the period	**(8)**	—
	(8)	—

The provision for deferred taxation is made up as follows:

	2013 £'000	2012 £'000
Cost of share options	**(7)**	—
Accelerated capital allowance	**(1)**	—
	(8)	—

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11. Reserves

	Share premium account 2013 £'000	**Equity – non distributable 2013 £'000**	**Profit and loss account 2013 £'000**	Share premium account 2012 £'000	Equity – non distributable 2012 £'000	Profit and loss account 2012 £'000
At beginning of period	**5,378**	**85**	**5,578**	5,369	50	4,084
Profit for the financial period	**—**	**—**	**1,765**	—	—	2,302
Share option cost	**—**	**—**	**15**	—	—	21
Share options granted to subsidiary employees	**—**	**29**	**—**	—	35	—
Shares issued	**9**	**—**	**—**	9	—	—
Dividends	**—**	**—**	**(863)**	—	—	(829)
At end of period	**5,387**	**114**	**6,495**	5,378	85	5,578

12. Reconciliation of movements in equity shareholders' funds

	2013 £'000	2012 £'000
Equity shareholders' funds at beginning of period	**11,609**	10,070
Profit for the financial period	**1,765**	2,302
Dividends paid	**(863)**	(829)
Share option cost	**15**	21
Share options granted to subsidiary employees	**29**	35
Shares issued	**9**	10
Equity shareholders' funds at end of period	**12,564**	11,609

13. Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with fellow members of the Pressure Technologies plc Group.

The interests of Directors in dividends paid during the year are disclosed in the Report of the Remuneration Committee.

14. Ultimate controlling party

The Directors consider there is no ultimate controlling party.

NOTES

Design and Production
www.carrkamasa.co.uk

This report is printed on UPM Fine Offset which is FSC® certified as well as having ISO14001 EMS, EMAS and the European EcoLabel.

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