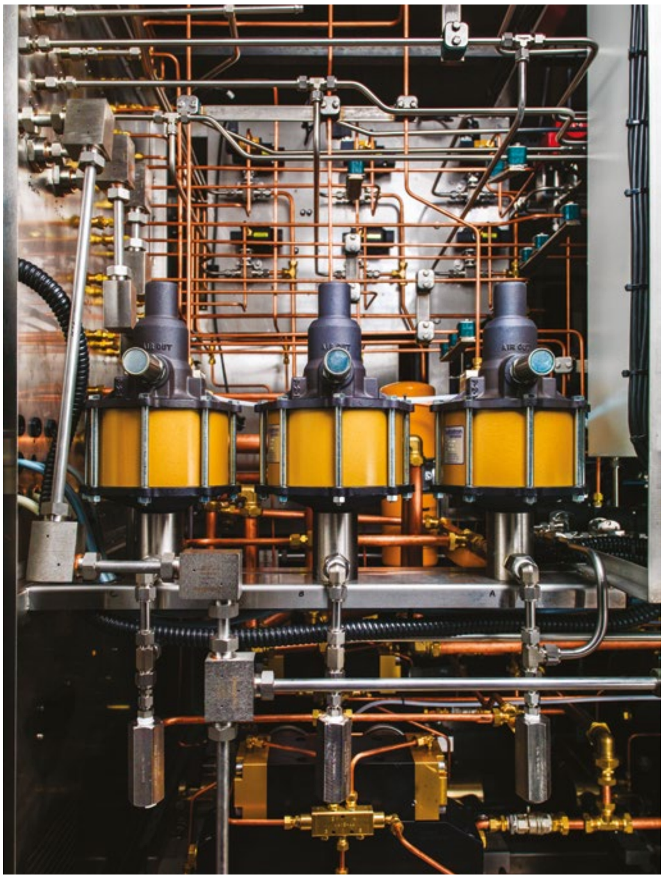
Pressure Technologies

ANNUAL REPORT 2016

High quality engineering for demanding markets



A specialist engineering Group supplying safety-critical products and services world-wide

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

WHERE WE OPERATE

The Group operates across four divisions. Three of the divisions are manufacturing businesses and the fourth is our Alternative Energy Division, which is a contracting business.

All our manufacturing is UK based, exporting products to a global blue chip customer base. Our businesses have a recognised reputation for quality, reliability and are trusted suppliers of safety-critical products and services.

We specialise in designing, engineering, manufacturing and servicing what is deemed 'difficult' giving us our niche position in the markets we serve and reinforcing our strong partnerships with customers.

Group revenue 2016
£35.8m

Group revenue 2015
£53.8m

Contracting

Alternative Energy is our only contracting business and we discuss it separately from our manufacturing businesses. As a project based business the risk, revenue and cash flow profiles are typical of large capital projects.

Read more on **page 16**

Alternative Energy

Activity: Greenlane is one of the world's largest suppliers of biogas upgrading equipment with an installed base of over 100 upgraders world-wide. It is also the only company in its market to supply three of the main biogas upgrading technologies.

Upgrading biogas takes a problem for businesses, local authorities and the environment and creates a profitable and green solution using existing waste to create renewable energy.

Biogas is a mixture of methane and carbon dioxide and is produced naturally when organic matter such as food waste from households, manure, or crops from agriculture is broken down by micro-organisms in anaerobic digesters ("AD"), landfill sites and wastewater treatment plants.

Upgrading equipment takes the raw biogas and removes the methane to produce a high purity of biomethane or Renewable Natural Gas ("RNG") as it is also known, that can then be used as a vehicle fuel or injected directly into the gas grid network.

Market: The global biogas upgrading market was estimated to be worth \$0.33 billion in 2015 and is expected to reach \$1.97 billion by 2022 growing at a combined annual growth rate ("CAGR") of 28.7%.

GREENLANE BIOGAS

> The Group will continue its growth strategy, combining acquisitions and organic growth."
>
> **Alan Wilson**
> Chairman

Sustainable and Responsible Business

Read more on **pages 18 to 21**

Manufacturing

Three of our four divisions are manufacturers serving primarily the oil and gas, defence and industrial gases markets.

Read more on **page 14**

Precision Machined Components

Activity: The businesses within this division are leaders in their markets. With world-class lead times, highly specialised precision engineering skills and a blue chip customer base.

The exploration and production of oil and gas demands equipment that can withstand extreme and hostile environments, produced to exacting standards in order to reliably perform in safety critical situations. We provide key components for a variety of deep-water and subsea oil exploration and production equipment as well as wear parts for oil production.

In order to meet customer needs, strong partnerships have been formed to develop technical solutions tailored specifically for their end product applications. Increasingly our customers require technological solutions that enable them to compete in a lower oil price environment and we have been able to expand our market share by working closely with customers on efficiency improvements and technical development.

Market: This division primarily serves the global oil and gas industry.

Cylinders

Activity: Chesterfield Special Cylinders ("CSC"), has over a century of industry knowledge and expertise and is a world-leading provider of bespoke, high-pressure gas containment solutions and services. It is one of only five companies who can compete globally for ultra large cylinder contracts.

The need for high pressure gas containment spans several markets and applications, from ultra large air pressure vessel systems used for motion compensation on floating oil rigs, high pressure cylinders on submarines to oxygen cylinders in fighter jets and the bulk storage of gases.

In order to meet the exact needs of its customers it has become an integral part of the design and engineering process for any high-pressure systems project.

In recent years CSC has expanded its activity into Integrity Management services, where cylinders that cannot be removed for routine maintenance are inspected and serviced in-situ. The service is built on an unrivalled knowledge and experience and performed to industry-leading standards.

Market: The business serves the global oil and gas market, the global defence market, industrial gases market and the alternative energy market.

Engineered Products

Activity: Hydratron is a manufacturer and global supplier of high pressure testing equipment. Its customers are high pressure original equipment manufacturers ("OEMs"), suppliers and service providers.

High pressure testing equipment is required wherever there is a need to test pressure in safety critical applications. The business manufactures across two areas, standard pumps and engineered products, which are bespoke systems designed to exact customer specifications. The business has a strong global reputation for high quality products and service excellence.

Products are sold direct to customers and through a comprehensive global partner network including the US, Norway, Italy, South and West Africa, the Middle East, South East Asia and Australia.

Market: The majority of Hydratron's products go into the oil and gas industry but the business also supplies its products into the Petrochemical, Aerospace, Marine, Automotive, Power Generation markets.

Al-Met ROOTA Engineering Ltd QUADSCOT Precision Engineers Ltd MARTRACT

CHESTERFIELD SPECIAL CYLINDERS

hydratron

HIGHLIGHTS

Revenue
£35.8m
(2015*: £53.8m)

Adjusted Operating Loss**
£(0.4)m
(2015*: £3.8m profit)

Adjusted Operating Profit**
Manufacturing Divisions
£2.2m
(2015: £6.7m)

Adjusted Operating Loss**
Alternative Energy
£(1.1)m
(2015: £(1.1)m)

Net Debt
£6.6m
(2015: £7.1m)

Adjusted Loss per Share
(2.6)p per Share
(2015*: 18.1p)

Profit after Tax
£0.6m
(2015: £1.2m)

Total Dividend
nil
(2015: 8.4p)

- Annualised savings of £5.4 million achieved from restructuring over the last two years
- Revenues from oil and gas reduced to 43% of total revenue (2015: 57%)
- Manufacturing Divisions gross margins held up at 31% (2015: 32.2%)
- Manufacturing Divisions aligned to be profitable at volumes seen in the second half
- Al-Met won its largest ever order of $1.2 million
- Post year end strategic acquisition of Martract Limited
- Alternative Energy has £14.2 million of upgrader orders carried over for delivery in 2017

* Represented to show results of the Engineered Products US operation as discontinued
** Before acquisition costs, amortisation and exceptional charges and credits

CONTENTS

Strategic Report

Q&A with Mick Pinder

Read more on **page 12**

Governance

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Financial Statements

The diversification of the Group continues

> Our Manufacturing Divisions are firmly focused on expanding revenues outside the oil and gas sector and the medium-term aim is to have a better balance of business within these divisions."

The last 12 months have been incredibly busy for the Group, as we realigned our manufacturing businesses to remain profitable at the current volumes from the oil and gas sector, whilst working to build the order book for Alternative Energy. For the first time in the Group's history, less than half, 43%, of our revenues came from the oil and gas sector, with alternative energy and defence making significant contributions of 32% and 18% respectively.

The underlying qualities of our Manufacturing Divisions and the swift management action taken at the beginning of the downturn in the oil and gas market are evidenced by the results from these divisions, which overall remained both profitable and cash generative.

Post year-end we added another business to the Precision Machined Components Division ("PMC"), Martract Limited, which is a strong strategic fit, strengthens our existing market position and gives significant opportunity to penetrate new markets.

There continues to be substantial potential for the Alternative Energy Division. That said, it had a somewhat frustrating year, suffering from contract award delays and some legacy costs which adversely impacted revenues and profits. However, as a result of much hard work, it is encouraging to report that we ended the year with an upgrader order book value of £14.2 million, which is £11.5 million higher than the same point last year.

The speed and degree of change across the Group would not have been possible without the dedication and commitment of our employees at all levels. As a specialist engineering Group we rely on the skills of our employees to maintain our reputation for quality and integrity. On behalf of the Board, I would like to take this opportunity to thank them all for their continued hard work and support.

Results

Following the closure of Engineered Product's US manufacturing facility in September, the results for the year only show the continuing operations and the prior year comparison has been represented. On this basis, revenues for the Group fell by over 33% to £35.8 million (2015: £53.8 million) as our manufacturing businesses continued to face declining sales volume from the oil and gas market. Anticipated volume from our Alternative Energy Division, which is unaffected by the oil and gas market, did not materialise in the period due to delays to certain projects and delayed contract awards. The impact on adjusted operating profit was a loss of £0.4 million (2015: £3.8 million profit). Adjusted operating profit is defined as operating profit before acquisition costs, amortisation and exceptional charges and credits.

Net asset value was £34.8 million (2015: £36.3 million) and operating cash generation was £4.4 million (2015: £7.9 million) after reorganisation costs. At the year-end, net debt was £6.6 million (2015: £7.1 million). Given the reduction in revenues and that the final deferred consideration for Roota of £2.5 million was paid out of cash, along with other non-operating cash inflows of £0.4 million, this result is pleasing and reflects the underlying disciplines in place.

Restructuring and redundancy costs in the period were £0.7 million (2015: £0.7 million) giving total annualised savings of £3.8 million, bringing the total annualised savings since October 2014 to £5.4 million.

Given the Board's outlook for oil and gas for 2017 and with the enlarged Alternative Energy Division still to deliver a profit, the Board has taken the decision that a final dividend will not be paid this year and as no interim dividend was paid there is no dividend payment for the year (2015: 8.4p).

Outlook

The Group will continue its growth strategy, combining acquisitions and organic growth. Our Manufacturing Divisions are firmly focused on expanding revenues outside the oil and gas sector and the medium-term aim is to have a better balance of business within these divisions, as well as realising the potential of the Alternative Energy Division, which has different market drivers to the rest of the Group.

In the oil and gas market, global oil demand is forecast to marginally increase by 1.5% in 2017 to 96.89 million barrels per day ("mbpd") driven by demand from non-OECD Asia. Before OPEC's recently announced output reductions, global oil production was projected to remain essentially steady at 95.69mbpd in 2017. However, any projection is fraught with uncertainty. The cuts may only have a small impact on global oil production growth, since compliance by some states has historically proven to be highly unreliable. The recent increase in drilling activity seen in USA shale oil fields, spurred on by a relatively stable oil price of around $50 barrel, may well give rise to increasing output, thereby pinning prices at today's levels. Rex Tillerson, CEO at Exxon Mobile, recently commented that production from USA shale regions will keep oil prices subdued in the medium term.

The Board's views concur with those of Tillerson and our Manufacturing Divisions are structured to continue making profits in the current market environment, with a focus to diversify outside of oil and gas markets.

The Cylinders Division has long-term defence market orders and the prospect of further growth in this sector from future UK, Australian and US submarine build programmes. Short-term growth will be derived from the expansion of the division's service offerings, particularly our unique Integrity Management service, which brings laboratory level inspection direct to site.

The Precision Machined Components and Engineered Products Divisions will continue to take opportunities to expand customer and geographic focus within the oil and gas market, but will also expand into other market sectors going forward. The acquisition of Martract Limited, will assist with this process given that 60% of its business is from a range of industries outside of oil and gas.

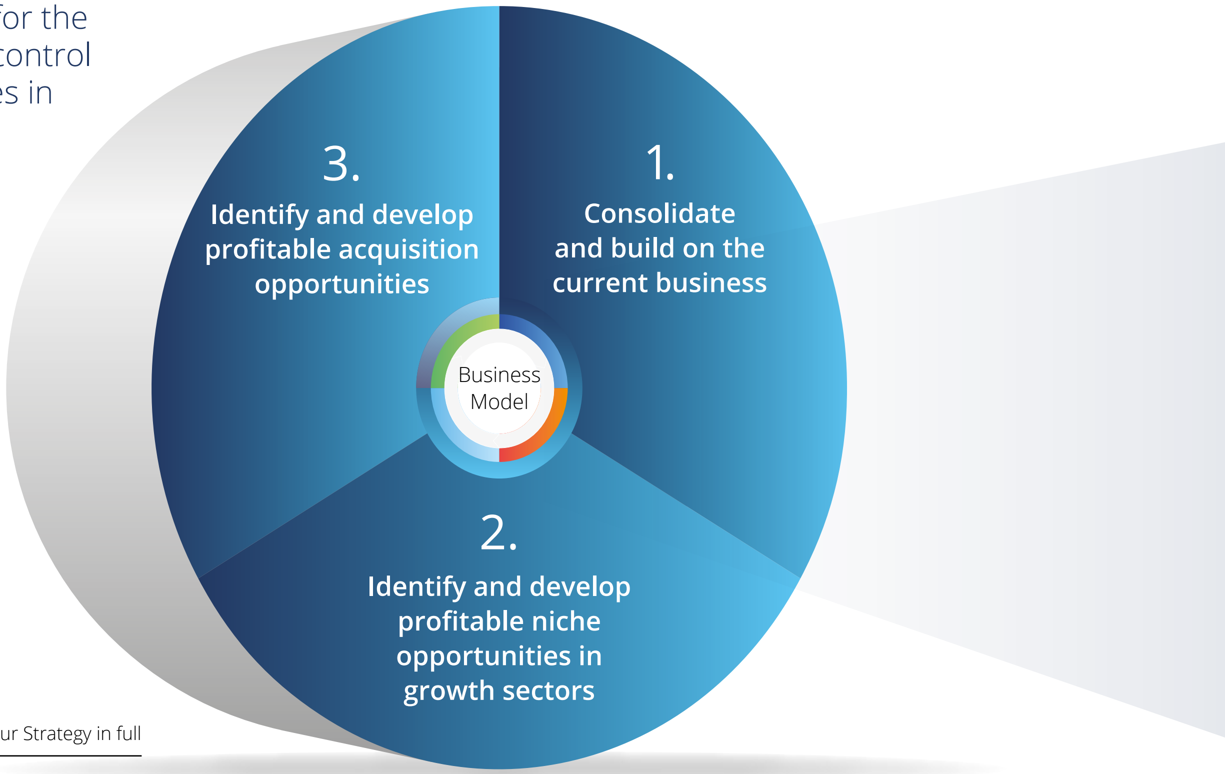
In the near-term, Alternative Energy remains an exciting area of growth for the Group. The global market for biogas upgrading is growing at a combined annual rate of nearly 30%, driven predominantly by Government regulations and greenhouse gas emission targets. Greenlane is a well-known established global brand and as one of the only companies to offer three of the main upgrading technologies, we are well positioned to realise our potential over the medium-term. With a strong order book for 2017 and a considerable pipeline of follow-on projects the Board expects the potential within this division to be realised.

The Board remain confident in the medium to long-term prospects for the Group.

Alan Wilson
Chairman
12 December 2016

How we run our business

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



See **pages 06 and 07** for our Strategy in full

Market Growth Drivers

The Alternative Energy market is driven by a global commitment to reducing greenhouse gases and a need to reduce waste and specifically for the Group, by locally incentivised investment in biogas upgrading.

Demand for oil is driven by growth from non-OECD countries and in addition for the Group by technological advancement that reduces the cost of investment.

Defence is driven by the global submarine build programme and industrial gases by GDP growth.

See more on **pages 08 to 11**

Our KPIs

We measure our performance over three areas, financial performance, shareholder returns and corporate social responsibility. Financial performance is primarily measured on the conversion of sales to profit, earnings per share are used to show how we are delivering value for shareholders. We measure reportable accidents and environmental incidents across the Group as part of our corporate social responsibility.

See more on **pages 26 and 27**

Markets we Serve

MANUFACTURING

- Oil & Gas
- Defence
- Industrial Gases

CONTRACTING

- Alternative Energy

See more on **pages 08 to 11**

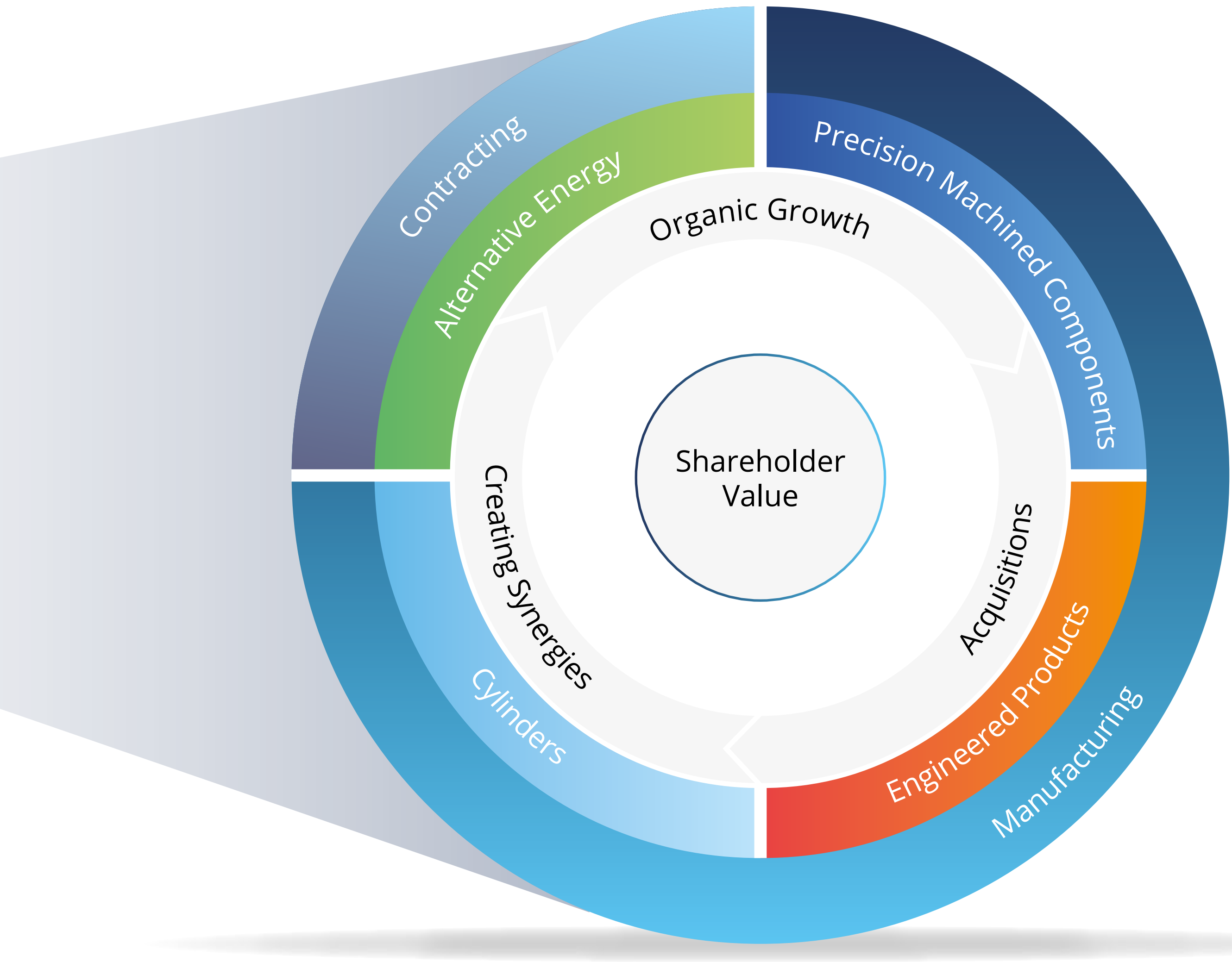
Risk Management

We maintain a comprehensive Risk Register and have an audit and risk committee made up of Board members who meet regularly to review it. We take the view that all business activity contains risk and our focus is on managing and, ultimately, minimising it.

See more on **pages 28 to 31**

Our Business Model

Our businesses provide niche and highly specialised products and services, which set us apart from other companies. We do this by employing engineering and technical expertise and serving strong markets that we understand. A highly skilled workforce and continual investment in new technologies are fundamental to our sustainability.



Creating Value

Building the Group by focusing on highly specialised businesses with limited competitors, we create long-term value for our:

Shareholders
Higher returns on sales, less vulnerability during market downturns and strong growth prospects.

Employees
An opportunity to gain specialist skills and qualifications in a business that is growing.

Customers
Unrivalled and trusted products and services.

Constantly assessing the effectiveness of our strategy

Our Strategy

Our strategy is to identify and develop, profitable niche opportunities in growth sectors for pressure products and services through a combination of organic initiatives and by acquisitions.

Our Progress

See **pages 14 to 17** for our Business Review

1. Consolidate and build on the current business

Headcount around the Group has reduced again this year to align with market volumes, but efficiencies gained through investment and working practices have left latent capacity ahead of an upturn in the oil and gas market.

The divisional structure of the Group allows for natural internal synergies. This year we have categorised the divisions into two areas: Manufacturing and Contracting to better describe and understand the different business needs.

Almost all of the group companies' bespoke component manufacturing is in-sourced at Quadscot.

Engineered Products' US manufacturing facility was closed as it became clear that it did not have sufficient scale to penetrate the US market effectively.

Expansion of the customer base in Precision Machined Components and Cylinders.

2. Identify and develop profitable niche opportunities in growth sectors

In Alternative Energy: The launch of the Kauri water-wash system as the world's largest ever biogas upgrader was completed and two upgrading systems, pressure swing adsorption and membrane separation were added making it technology agnostic.

In Cylinders: Substantial progress was made in furthering the development of the US market and also in its high added value service offering.

In Engineered products: There was an expansion of its distributor networks.

In Precision Machined Components: Al-Met gained Fit for Nuclear status.

3. Identify and develop profitable acquisition opportunities

Acquisitions are kept under review by the Board and in conjunction with the Group companies. Opportunities that are presented are considered under a clearly defined acquisition criteria, which minimises risk.

Our Risk Awareness	Our Future
The risks below are those most likely to affect the development of the strategy.	Central to our strategy is continual development of the Group and identification of organic growth and acquisition opportunities.
See **pages 28 to 31** for our Risks and Uncertainties	See **page 17** for our Summary and Outlook
The risks to this element of the strategy come from management resource, employee skill base and the economic environment.	Continue to leverage synergies and production efficiencies. Build on the existing customer base and develop new customer partnerships.
The risks to this element of the strategy come from competition, access to funding, management resource, employee skill base and the economic environment.	Expansion into new geographical markets where opportunities for our products and services exist. Development of new markets where our niche engineering skills apply.
The risks to this element of the strategy come from competition, access to funding, management resource, employee skill base and the economic environment.	Continue to seek out suitable acquisition opportunities with a close strategic fit that meet our acquisition criteria.

Harnessing our capabilities across our markets

Oil and Gas

Division
Manufacturing

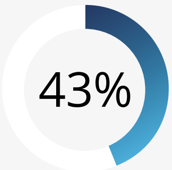
Market Served by
Cylinders
Engineered Products
Precision Machined Components

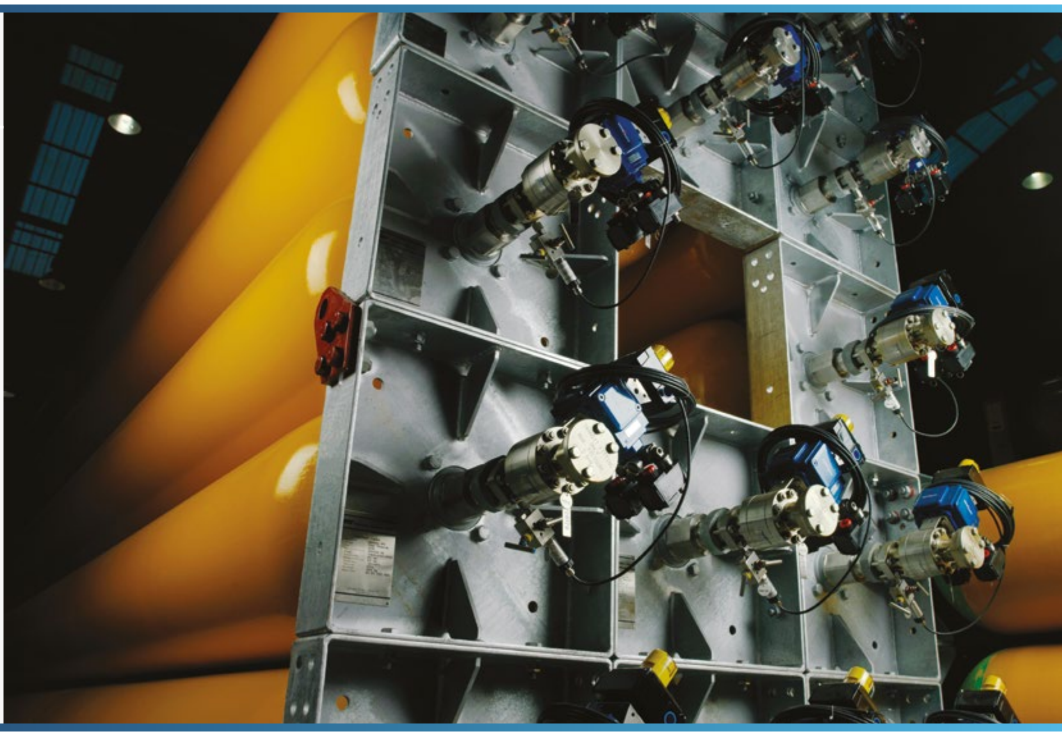
2016 Revenue

£15.5m

(2015: £30.8m)

2016 % of Group Revenue





Oil and gas has been the main market served by the Group's manufacturing businesses since its inception in 2007. For the year under review, and for the first time for the Pressure Technologies Group, less than half our revenue came from this sector.

Set out here is our view of the oil and gas market.

Why has the Oil Price Collapsed?
The downturn witnessed in oil and gas over the last two years has been described as the worst in a generation. Unlike other downturns, the normal rules of this market were altered when US shale producers significantly increased their supply of oil and OPEC, the traditional swing producers, maintained their output to protect market share. This was further exacerbated as Russia increased production and Iran re-entered the global market.

This over production of oil at a time when the demand growth for oil had slowed, due primarily to slower growth in China, led to historically high oil stocks, fuelling global headlines of a world 'awash with oil' and a crash in the oil price to below $30 a barrel at one point.

What was the Impact?
Reduced Spending – As the price of oil fell so too did the profits of the major oil companies and over the past two years the industry has seen a fundamental restructuring. Well over 350,000 jobs globally have been cut with the majority in the oil services sector. In addition over $1 trillion has been cut from 2015-2020 investment plans and there has been around $100 billion of cancelled investments.

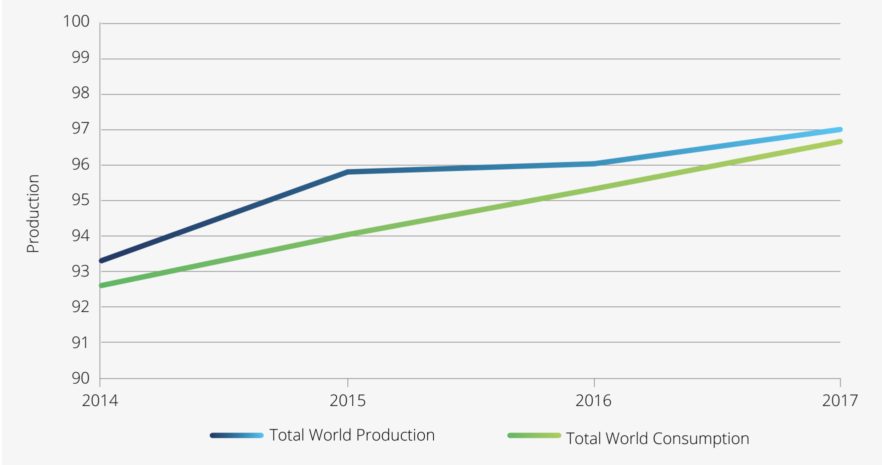
Oil Company Losses – The major oil companies have seen their earnings crash over the last two years with many being unprofitable at the lower oil price. Actions taken to align with market conditions have seen the budgets for operational expenditure and investment slashed. In Shell's third quarter 2016 results, it reported earnings 45% down year on year and reduced operational spend by $9 billion. Shell recently completed the integration of its merger with BG Group and reported that the combined company now spends less than Shell did previously as a single entity. BP also reported a 60% decline in year on year earnings.

Bankruptcies – In North America around 100 oilfield service companies have gone bankrupt in 2015 and 2016. Debt that was taken on when the oil price was north of $100 barrel, is now proving difficult to manage.

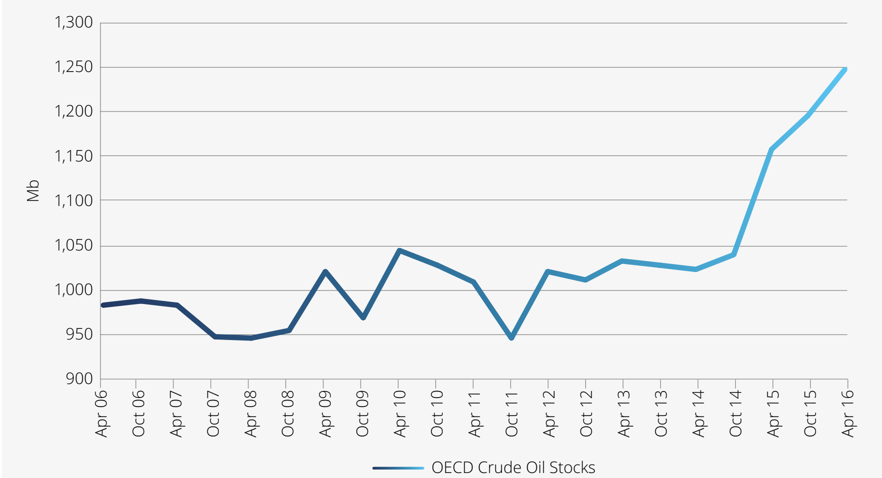
Dividend Reductions – While the oil majors have cut investments to preserve their dividends, many other oil and gas companies have cut theirs with a cost to shareholders of more than $7.4 billion in lost income. Fears for future dividends still exist as debt levels remain high despite cost reductions and reduced investments.

> Our Manufacturing Divisions are structured to continue making profits in the current market environment."
>
> **Alan Wilson**
> Chairman

GLOBAL OIL PRODUCTION AND CONSUMPTION



OECD – CRUDE OIL STOCKS



Stockpiling – Supply outpacing demand growth has led to record inventory levels around the world. In addition countries such as China have taken the opportunity to fill up their strategic reserves with cheap oil. The high levels of oil in storage make it more difficult for the oil price to rebound as even a drop in current production levels, unless significant, are offset by the glut.

Less Exploration – As a result of investment cuts, 2015 saw the lowest discoveries of new oil reserves for more than 60 years with only 2.8 billion barrels of crude and related liquids found, the lowest annual volume recorded since 1954. Continual exploration is needed in the sector to counter production declines and fulfil future demand.

Rigs Being Scrapped – In 2012 Baker Hughes recorded that the worldwide rig count averaged 3,518 over the year. For 2016, up to October, it is showing as an average of 1,561. Day rates for rigs, the cost of hiring a rig, have fallen from $650,000 a day to $200,000. Many unutilised rigs have been scrapped and orders for new rigs have been cancelled either during or after build.

Production Costs Dramatically reduced – US shale production costs have fallen by as much as 40% over the downturn. In parts of Texas it is reported that shale can breakeven at a Brent Crude price of between $39 and $48 a barrel. A report in the Financial Times in July this year noted that 60% of oil production that is profitable at $60 a barrel is US shale, while only 20% of deep-water oil is.

Saudi Economy Damaged – The Saudi economy, which is almost totally reliant on oil production has been significantly damaged, swinging from a budget surplus just a few years ago to a budget deficit of $100 billion. Direct government debt stands at around $73 billion and the International Monetary Fund ("IMF"), has said that the country needs an oil price of near $80 to balance its budget. The country has recently announced austerity measures and broke records with a sovereign bond sale of $17.5 billion.

What is Likely to Happen?

Inefficiencies that were uncorrected during the high oil price period, have now largely been resolved and this has resulted in a fundamental restructure of the sector that is likely to remain in place, even when prices eventually increase. BP, amongst others, has said that it intends to maintain 75% of all cost reductions.

Traditionally, oil demand growth has been just under 0.5% per 1% growth in Gross Domestic Product ("GDP"). However, the volume of oil consumed per unit of GDP is falling as energy efficiency increases. Since 1995 the quantity of oil needed per GDP unit has fallen by 13.6%. It is estimated that GDP could grow at 2.15% per year without any increase in oil needed.

Given these efficiencies and the current flat economic environment in OECD countries would indicate that increased demand for oil is unlikely in the short to medium term. Market commentators agree that a stable oil price of around $50 a barrel would encourage increased production from US shale, which is now effectively the swing producer. These factors would lead us to believe that the oil price could remain flat in the medium term if nothing else changes.

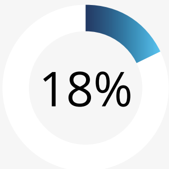
Defence

Division
Manufacturing

Market Served by
Cylinders
Engineered Products

2016 Revenue
£6.5m
(2015: £7.5m)

2016 % of Group Revenue



This is the third largest market for the Group where Chesterfield Special Cylinders ("CSC") has specialist capability in the manufacture of high-pressure cylinders for submarines, surface vessels and military aircraft. Work done over the last decade to expand the customer base for naval applications has reduced the variability of defence revenue and there is a good forward visibility on projects globally.

Although defence budgets around the world are under pressure, submarine build programmes have continued. The market is less sensitive to competition due to the complexity of products, quality standards and through-life support requirements. CSC is the principal supplier in the naval market to NATO and NATO friendly nations with the exception of the USA, with Germany now our largest market.

There are significant medium-term opportunities, the largest being the UK Successor Programme, which replaces the Vanguard class of submarines and we are working with defence OEMs on initial, small-scale prototypes. This programme has also provided the opportunity to promote CSC's capabilities in the USA. The Australian Government announced in April 2016 it is to build its new fleet of 12 submarines on a French design for which we already provide cylinders. In addition Integrity Management services are widely used in the UK naval sector and are now being offered on overseas naval contracts.

For the Engineered Products Division, Hydratron supplies a range of high pressure pumps and test equipment into this market.

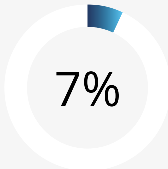
Industrial Gases

Division
Manufacturing

Market Served by
Cylinders
Engineered Products

2016 Revenue
£2.4m
(2015: £1.5m)

2016 % of Group Revenue



Industrial gases has been an important market for Chesterfield Special Cylinders ("CSC") for over 100 years. The Group supplies a diverse range of products and services, ranging from bulk gas storage for large industrial applications, to the reconditioning and retest of cylinders and trailers.

Trailers for the transportation of bulk gases are also an important part of this market. The Group manufactures a range of high pressure gas trailers and provides a one-stop-shop management of reconditioning and retest of cylinders.

Growth in the "in-situ" testing market continues, driven by a European standard developed at CSC for the inspection of hard to reach / impossible to move gas tubes. CSC is currently the only company capable of delivering this strict new testing regime worldwide.

On the back of our established sales team in the USA opportunities are opening up in the US industrial gases market where our pricing is competitive.

Through Hydratron, the Engineered Products Division, supplies a range of test equipment for valves, fittings and hoses into this market. Working closely with customers, Hydratron is able to supply leading edge equipment incorporating the latest in digital systems that increase the range and accuracy of testing and improve operator safety.

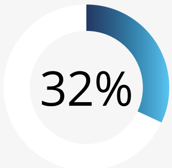
Alternative Energy

Division
Contracting

Market Served by
Greenlane Biogas

2016 Revenue
£11.4m
(2015: £14.0m)

2016 % of Group Revenue



Now the Group's second largest market, the Global biogas upgrading market is growing rapidly. According to a recent report it is anticipated to reach $1.97 billion by 2022, which represents a compound annual growth rate ("CAGR") of 28.7%. Government regulations, greenhouse gas emission targets, an increased need to treat residues and wastes coupled with a growing demand for renewable energy are driving growth in this market. These drivers exist as part of the world's commitment to reduce its greenhouse gas emissions, concern over air and water pollution, security of energy supply and reducing reliance on fossil fuels while continuing to meet rising energy demands.

Biogas is produced naturally when organic matter such as food waste from households, manure, or crops from agriculture is broken down by micro-organisms in anaerobic digesters ("AD"), landfill and wastewater treatment plants. It is a mixture of around 60% methane and 40% carbon dioxide. Upgraded biogas, known as either biomethane or Renewable Natural Gas ("RNG") can then be used as a vehicle fuel or injected directly into the gas grid network. It uses existing waste and infrastructure to create a renewable energy within a relatively short time frame and in addition creates a profit for the gas producers.

There are four main biogas upgrading technologies, water-wash, pressure swing adsorption ("PSA"), chemical scrubbing and membrane separation. Water-wash is the most widely used technology, accounting for around 40% of the market, closely followed by PSA at 25%, with membrane separation taking a growing market share. Greenlane is a market leader in water-wash and the only company to also supply PSA and membrane, making it technology agnostic.

The opportunities for biogas upgrading are world-wide. Europe is the most mature market for biomethane and further significant growth opportunities exist here driven by Government targets and support. In France for example, the vision of the French Environment and Energy Management Agency is to produce 70TWh biogas annually by 2030, with 50% of the biogas produced, injected into the grid. North America is expected to see a major expansion in biogas upgrading where the scope for upgrading is substantial. Greenlane is a market leader in Europe and North America.

Q&A with Mick Pinder, Managing Director at Chesterfield Special Cylinders

Q. How long have you been MD at CSC?

A. I joined Chesterfield Special Cylinders as Managing Director in 2010. I have spent my entire career in engineering businesses. Starting as an apprentice, I spent nine years working on the shop floor before progressing into engineering and then operations. Understanding how a customer's requirement translates through the manufacturing process is essential to delivering their product solutions. It's a route that's worked well for me and one that we encourage throughout the business.

Q. How many different sizes of cylinders do you make here?

A. The largest cylinder we make is 11.5 meters long and the smallest is about 7 inches. We can also make curved cylinders, which I can tell you is quite a feat!

Q. How has the downturn in oil and gas affected your business?

A. We had planned for it. Four years ago we asked ourselves the question: What would we do if there was no oil and gas? We identified two crucial areas, defence and engineering services both of which required niche and highly specialised skills.

Q. So how did you go about building the defence side of the business?

A. We already had a really good relationship with the British and French Navies but recognised that there was substantial potential in targeting Germany. It didn't happen overnight but we set up an office and kept knocking on doors and were able to take the order book from our main competitor over there. Opening up this market was fundamental, not just for the sales volumes but because the modular design used in Germany enabled us to expand our product range to other navies such as Turkey, Israel and Egypt.

Q. Could the US develop in the same way that Germany did?

A. Absolutely. We are using the same strategy in the US that we used in Germany, opening an office, employing people who already know this market and knocking on doors. While the US will be a much slower burn, we have made a lot of progress over there. This is potentially a huge market for us.

Q. What about engineering services, how much potential do you see in this?

A. Integrity Management, like expansion of defence, began four years ago but was set up from scratch. The aim is to achieve 50% of our profit from services and we are making solid progress. Today we are the go to inspection team for the Ministry of Defence and offer market leading services for in-situ inspections around the world. We definitely haven't seen the full potential from Integrity Management yet and as it operates at a much higher margin, it will have a greater impact on the bottom line going forward.

Q. What excites you about the future for CSC?

A. Everything. We have a strong lean workforce that is highly skilled. We invest substantially in our people and recognise the importance of developing the next generation of engineers and senior managers. There are many opportunities out there for us to expand our existing products and services. New geographies is one such area and we are actively looking at India, Asia and Australia. The downturn in oil and gas, has given us the space to expedite the development of other more profitable areas.

"The downturn in oil and gas, has given us the space to expedite the development of other more profitable areas."

Focus on expanding into new markets

> The Group is far more resilient, with Manufacturing Divisions now aligned to be profitable in the current market and an Alternative Energy Division on the brink of a breakthrough to sustainable revenues and profits."

The year has seen both the rebuilding of our Alternative Energy Division, following its restructuring in 2015, and the completion of the restructuring of our Manufacturing Divisions. The Group is far more resilient, with Manufacturing Divisions now aligned to be profitable in the current market and an Alternative Energy Division on the brink of a breakthrough to sustainable revenues and profits.

Whilst oil and gas remained the major market for the Group's products, accounting for 43% of Group revenues in the year, this was a marked reduction from 2015 where 57% of revenues were to this market. The five-year picture shows:

Oil and Gas Market Revenue

Revenue

2016	£15.5m	43%
2015	£30.8m	57%
2014	£36.7m	72%
2013	£25.4m	79%
2012	£21.9m	77%

Expansion of the Alternative Energy Division and further diversification in our Manufacturing Divisions will see this trend continue in 2017.

The key points for the year are:

Manufacturing Divisions

The Group's Manufacturing Divisions have made significant additional cost reductions in the year, the full benefits of which will be realised in 2017. Headcount has been reduced by a further 77 employees, making an overall decrease of 44% since October 2014. Whilst cuts have been significant, key skills have been retained, so there will not be any adverse impact on quality and service. The divisions are structured to be profitable in the current oil market climate and will continue to diversify their customer base and end markets.

Precision Machined Components Division ("PMC")

This division comprises Al-Met, Roota Engineering and Quadscot Precision Engineers. 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. Roota and Quadscot make a wide range of components for oil and gas pressure systems and downhole tools, with Roota generally focusing on larger, longer products and Quadscot on smaller product in a range of high-alloy materials.

PMC's revenues are almost wholly derived from the oil and gas market, so have been impacted by reductions in customer spending. However, Al-Met's world-class lead-times and Roota's niche capability for machining complex geometrical shapes in unforgiving materials have given both increased market share and developed new customers in the falling market. Quadscot has experienced more difficult trading conditions, due to its reliance on making components for subsea oil exploration and production, plus a larger pool of competitors chasing volume at low prices. However, in-sourcing component manufacture from Chesterfield Special Cylinders and Hydratron has given Quadscot some cushion against the downturn. The division is profitable at current order levels.

Headcount reduction has continued in PMC, as we aligned costs with current order levels. Since its October 2014 peak, headcount has been reduced by 49% (2015: 22%). At the same time, technical capability has been strengthened through recruitment, which is yielding improvements in processes and, when volumes recover, will give rise to significant productivity gains as the division has significant latent capacity.

Customer ordering patterns remain unpredictable, but do not appear to be subject to further deterioration. Al-Met took a $1.2 million order, its largest ever, for an oil and gas project in the Middle-East for delivery in 2017, but this was exceptional in an otherwise subdued market. This order was previously reported as a water industry project but it became apparent during order fulfilment that it was for the oil industry.

The oil and gas market will remain very important to the division, which has market leading capabilities to manufacture highly complex components to exacting tolerances in demanding materials. These capabilities are important to the market irrespective of activity levels. However, the division continues to seek out opportunities for diversification away from the oil and gas market. In the longer-term work done to obtain "Fit for Nuclear" accreditation should translate into incremental revenues and the division continues to seek entry points into the defence, aerospace and automotive markets.

The purchase of Martract Ltd in December 2016, as well as being immediately earnings enhancing, brings several benefits, such as expanding relationships with existing customers, reducing order delivery lead-times through vertical integration within the division and giving access to non-oil and gas markets.

Capital expenditure was £0.3 million, principally on equipment to improve productivity with the major spend in the year centred on Roota. No major capital expenditure is required in 2017, unless new customer demand requires investment to extend the current product range.

Engineered Products Division ("EP")

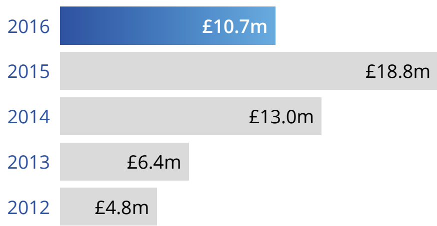
The EP Division manufactures a range of Hydratron branded air-operated high-pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs, mainly for use in the oil and gas sector. The division's products are typically capital equipment purchases, so sales have been severely impacted by the downturn in the oil and gas sector where budgets have seen major cutbacks.

At the start of the year, the division comprised Hydratron Ltd, based in Altrincham in the UK, plus a satellite facility, Hydratron Inc, based in Houston Texas. During 2016, it became apparent that this US manufacturing facility was too small to achieve meaningful market penetration, so a distributor was appointed in September to handle sales. Key operational staff and inventories were transferred to the distributor and international sales and design staff relocated back to the UK. This has the double advantage of eliminating fixed costs, whilst unlocking much larger market opportunities in the Americas.

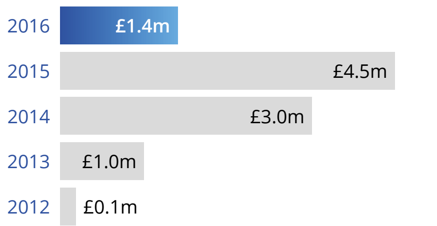
The UK operation has been radically restructured. Since October 2014, headcount has been reduced by 64%, the majority of which was in the year under review (2015: 28%). The whole business is in the process of implementing a lean operating system to reduce lead times and costs. Breakeven sales levels have been reduced in the year from over £700,000 per month to under £400,000. Delivery lead times for standard pumps and power packs have been reduced from over two months to under two weeks and in some cases next day delivery. A review of core competencies has resulted in external sourcing of clamping systems for test benches which significantly reduces costs whilst at the same time expands the product range.

Precision Machined Components

Revenue

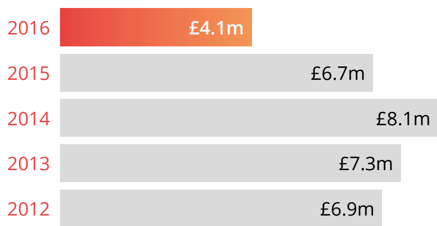


Adjusted Operating Profit*

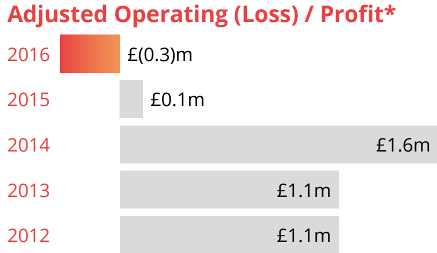


Engineered Products

Revenue



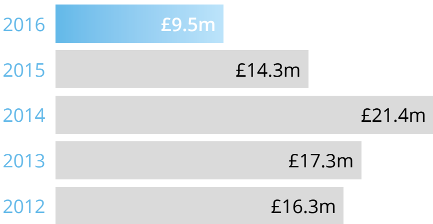
Adjusted Operating (Loss) / Profit*



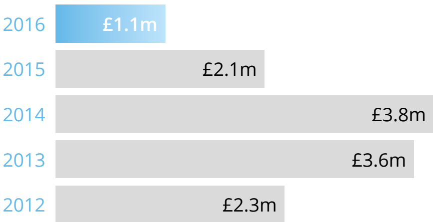
* As defined on page 02

Cylinders

Revenue

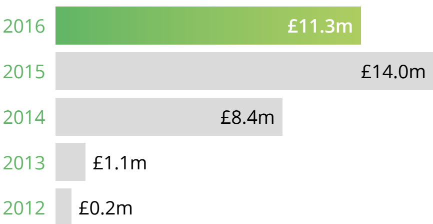


Adjusted Operating Profit*

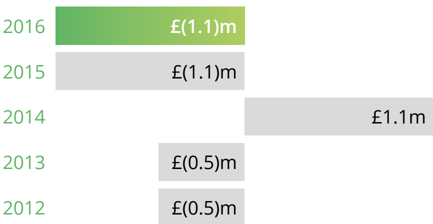


Alternative Energy

Revenue



Adjusted Operating Result*



* As defined on page 02

Revenues have been constrained by its limited geographical reach. Strong distribution channels exist in the UK, USA, Arabian Gulf, Australia and Singapore, but this leaves a significant number of regions to be targeted. Consequently, the business is focused on expanding sales channels and new distribution agreements have recently been concluded for South and West Africa and Italy. Other regions will be included in due course.

Cylinders Division

Chesterfield Special Cylinders ("CSC"), supplies a range of high-pressure cylinder systems into the defence, oil and gas and industrial gases markets. The principal reduction in revenues in the year was due to a further £4 million fall in sales into the oil and gas market. Over the last two years, revenues from this sector have reduced by £15 million, as the market for Air Pressure Vessels ("APVs") used in motion compensation systems has to all intent and purpose disappeared. Major recovery in this market depends on orders being placed for new drillships and semi-submersible drilling rigs, which is highly unlikely as long as current market conditions continue. The remainder of the decline in the year was due to reduced defence sales, partially offset by growth in service projects.

The fall in defence sales was a result of phasing on submarine projects, rather than any softening in the market and the defence orderbook and pipeline remains healthy. CSC remains the established leader in sales to NATO and NATO-friendly nations outside the USA.

After 18 months of operation, our sales team in the USA continues to make good progress in entering the US defence and commercial markets. Entry into a new market typically takes three to five years and progress is in line with management expectations. Inspectors from the US Department of Transportation conducted a certification audit at CSC in the summer and we now have all the required approvals to sell into the US transportable gases market.

Sales of services increased by 28% year-on-year, with the start of a new cycle of trailer reconditioning and a further increase in the Integrity Management service. Revenues from Integrity Management increased by 14% to just over £1.0 million, primarily due to increased activity in the defence sector. Services now account for 25% of sales and approximately 28% of the Divisional gross margin (2015: 13% and 17% respectively).

Headcount reduction in CSC has been less marked than in PMC and EP, as significant overhead is required to support the defence and services revenue streams. The business operates in highly specialised markets with few people worldwide having relevant skills and experience. That said, the division has reduced headcount by 15% over the period since October 2014 (2015: 6%) and significant work has been carried out to improve productivity and eliminate waste.

The year's capital expenditure of £0.4 million was spread across a range of productivity, process and health and safety projects. Capital expenditure for 2017 is anticipated to be similar to 2016.

Alternative Energy Division ("AE")

The division is a designer and supplier of equipment used to upgrade biogas produced by the anaerobic digestion of organic waste to high-quality methane, which is suitable either for injection into the gas grid, or used as vehicle fuel. The upgrader market is driven by environmental subsidy rather than oil and gas prices, giving a welcome source of sales diversification for the Group. Unlike our three Manufacturing Divisions, AE subcontracts manufacturing to a number of specialists that are located close to installation sites. This avoids the fixed costs of maintaining manufacturing facilities and gives the flexibility to move production to suit customer needs.

The division was transformed by the purchase of the business and certain assets of its technology provider, Greenlane, in October 2014 and now trades under that name. This has given the division a worldwide platform for selling biogas upgrading technology, trading out of the UK, Canada and New Zealand. In 2012, the division accounted for 1% of Group revenues, in 2016 it accounted for 32% of Group revenues (2015: 26%).

Following major restructuring of the division in 2015, the past year has focused on rebuilding the order book and it is pleasing to note upgrader contracts worth £20.8 million were secured. However, due to customer enforced delays, the full financial benefit of these contracts will not be realised until 2017. As a result of this, plus additional costs on legacy contracts, the division was loss making for the year.

Development activity was spread across projects for water-wash technology, pressure swing adsorption ("PSA") and membrane technologies making the division the only "technology agnostic" provider of upgrader equipment in the market. Consequently, Greenlane can offer its customers the most appropriate solution for each project. Developments in water-wash technology have been at both ends of the processing size range. At the high-volume end, the new Kauri water wash upgrader is capable of processing up to 5,000 cubic meters of biogas per hour and is the largest system on the market. At the low-volume end of the market, the Kanuka Gen 2.0 is a low-cost value engineered upgrader designed for entry level projects, with volumes of up to 300 cubic metres of biogas per hour. Greenlane has orders for both models for delivery in 2017. Two PSA systems are currently being installed in North America and several membrane systems have been quoted.

Over £14 million of upgrader orders were carried over for delivery in 2017, destined for the North American, UK and European markets. The pipeline of potential contracts with a medium to high probability of securing orders in the first-half of the year is in excess of £13 million. The division's business model is to focus on markets where subsidies and incentives are certain.

Market activity continues to grow in the USA, Canada, Brazil, the UK, the Netherlands and France and we are concentrating our efforts in these areas and Italy where the market activity is just beginning.

The operational businesses in the division have a target of covering 100% of their fixed costs through maintenance contracts. In 2016, the UK and Europe achieved 30% coverage and the North American business 7%. The lower coverage in North America is a combination of lack of development of the market and customers preferring to maintain their own equipment.

Capital expenditure for the year was less than £0.1 million, whilst £0.2 million will be invested this year, primarily in new business systems.

People

Continuing weakness in the oil and gas market resulted in a second wave of redundancies in the Manufacturing Divisions. These redundancies have been backed up by investment in equipment and working practices to ensure that the flexibility and ability to expand as market conditions improve have not been lost. As ever, we have been careful to ensure that we have retained our core skills.

Our apprentice and graduate training schemes have continued. I am pleased to report that one of our CSC apprentices won Apprentice of the Year at the Made in Sheffield Awards, another former apprentice was awarded a first class honours degree in engineering and the Finance Director of the PMC Division has been awarded an MBA with distinction, all sponsored by the Group.

There will be a focus in 2017 on succession planning and management training. The Group has a cadre of young talent that will form part of the next generation of senior management. It is crucial to the Group's long-term success that we nurture and develop these people, as well as developing the skills of our existing senior management teams.

Summary and Outlook

This was another busy year for the Group as the restructuring and rebuilding begun in 2015 in all important respects was completed, resulting in a much better balanced mix of revenues from the oil and gas, defence and alternative energy markets.

The oil and gas market will remain an important revenue and profit generator for the Group. However, we also expect to make further progress in diversifying our Manufacturing Divisions to reduce the dominance that the oil and gas market has in Group results. Significant progress in diversification has been made in the Cylinders Division and we continue to seek out new products and markets for the EP and PMC Divisions. The acquisition of Martract Ltd in December 2016 will assist with this process.

The value of firm contracts for 2017 in Alternative Energy is very encouraging. The prospective new orders pipeline beyond this remains strong across the UK, Europe and North America and we expect the division to be a major profit generator for the Group in 2017 and beyond.

The Board remains confident in the medium to long-term prospects for the Group and believes that when the oil and gas market returns it will present considerable opportunities. In the meantime, we have taken and will continue to take the action necessary to ensure the resilience of our businesses whilst continuing to invest in the future of the Group and implement strategic objectives to broaden our customer, technology and industrial base.

John Hayward
Chief Executive
12 December 2016

Investing in our people's future

At the core of every business in the Pressure Technologies Group is a highly skilled and specialist workforce.

Four of our divisional MDs are former apprentices. The benefits of apprenticeship training are manifold as learning from the shop floor up develops a comprehensive understanding from product development through to production. We believe this is the essence of meeting specific customer product requirement and enables us to command a high regard and reputation in the markets we serve.

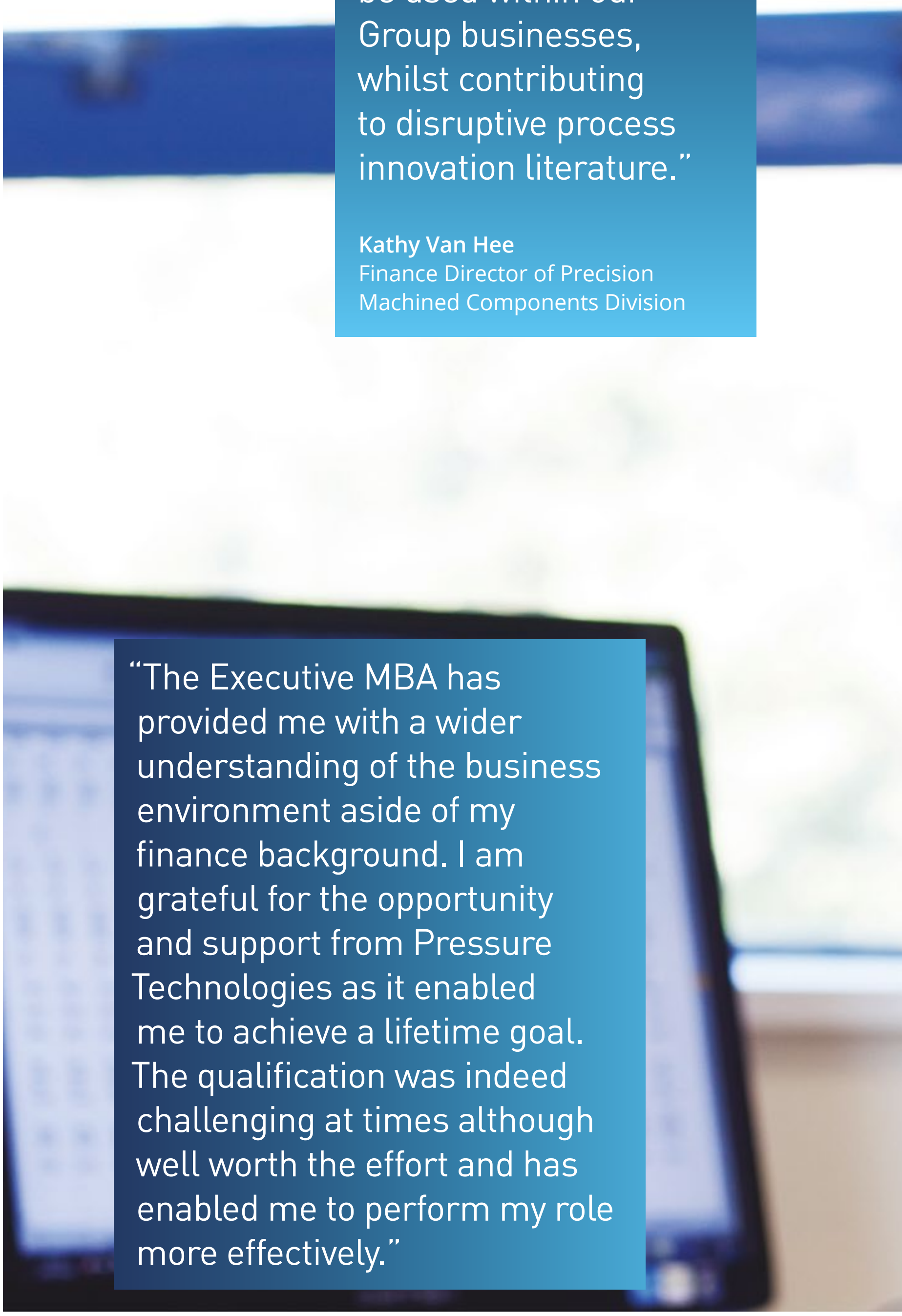
Career development is actively encouraged through suitable training and education. The Group operates a number of formal education programmes extending from apprenticeships to post graduate development and we have funded and supported a number of senior managers to undertake MBAs.

During the year we had two graduations (featured opposite), Kathy Van Hee, Finance Director of Precision Machined Components and former apprentice, James Taylor, now Design Engineer at Chesterfield Special Cylinders. Kathy obtained her MBA with distinction and James attained a first class honours for his Batchelor of Engineering Degree.

At the end of the year we had a total of 15 apprentices around the Group, with Tom Bruce at Chesterfield Special Cylinders winning the prestigious Apprentice of the Year award at the Made in Sheffield awards and Joe Priestley at Hydratron nominated for The National Apprentice of the Year Awards for his work on Hydratron's lean implementation programme.

"I completed my dissertation on 3D printing, exploring how this state of the art technology could be used within our Group businesses, whilst contributing to disruptive process innovation literature."

Kathy Van Hee
Finance Director of Precision Machined Components Division



"The Executive MBA has provided me with a wider understanding of the business environment aside of my finance background. I am grateful for the opportunity and support from Pressure Technologies as it enabled me to achieve a lifetime goal. The qualification was indeed challenging at times although well worth the effort and has enabled me to perform my role more effectively."

Chesterfield Special Cylinders' technical design engineer James Taylor achieved a first class honours in his Bachelor of Engineering Degree

A key member of the integrity management team, James is currently working towards Chartered Engineer status.

James' other notable projects include designing the UK's first 500bar composite hydrogen trailer for alternate fuels and a £1.1 million project for a saturation dive system on vessel Deep Explorer. He has also been calculating and designing blast walls for on-site testing purposes.

Chesterfield Special Cylinders employee wins major Apprentice of the Year Award

Chesterfield Special Cylinders ("CSC") apprentice Tom Bruce, 19, has won the highly-coveted Apprentice of the Year Award at the annual Made in Sheffield ceremony.

Tom joined CSC in 2014 and his attitude and aptitude are praised by John Pease, Quality Manager, saying: "Tom impressed with his attitude and passion for engineering from the moment he joined the team at CSC. It is obvious that he enjoys both the practical and academic side of the program and he is excelling in both."

Tom's education at the prestigious AMRC is fully-funded by the company and he has recently completed his NVQ Level 2. He will complete his BTEC National in Manufacturing Engineering in summer 2016, having passed all first year modules, attaining merits and distinctions.

Tom's enthusiasm for engineering is clear. He says: "An engineering apprenticeship gives me the mixture of hands-on work, such as operating machinery, and technical problem-solving such as diagnosing a machine fault, which I had always loved.

"Even though I am only 19, I have real responsibilities – CSC respects people coming through the apprenticeship program. It is an honour for me to win this prestigious award and it is the highlight of my career so far. It is a reflection of the time and effort that I, my tutors and the staff at CSC have put into the apprenticeship scheme. I enjoy learning, applying skills and am ambitious to succeed."

Read more of our news at
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Supporting the community

Herd of Sheffield, in association with Wild in Art, was a major fundraising event for the region's Children's Hospital Charity. We were proud to have been part of it through the sponsorship of our shiny elephant, Inconelly.

58 large elephant sculptures took to the streets of Sheffield over the summer of 2016 and were auctioned off at a major event in October event raising £410,600 for the charity and enabling the purchase of a much needed Fluroscopy Machine.

The name Inconelly was chosen as the winner of an internal competition. The name was put forward by Liz Dixon at Roota.

Visit Inconelly's twitter page at
twitter.com/ptinconelly

Andrew Green, Chesterfield Special Cylinders' key account manager in the offshore and UK defence sectors, completed a gruelling 24-mile, 24-hour open water swimming marathon raising over a £1,000 for Alzheimer's Research. While his colleague technical manager, Clare Wesley-Holley, completed her brave 15,000-foot tandem skydive raising almost £500 for Macmillan.

Both Greenlane Biogas UK and Chesterfield Special Cylinders have charity committees who meet regularly to nominate charities for support.

Hiring a diverse and well equipped workforce

Other than training new talent, one of Pressure Technologies' goals is to hire staff from a varied and experienced background.

Ex-Army commander hired as first director of global Integrity Management business at CSC

"My background in the repair and maintenance of vital military systems, working in hostile environments and under great pressure, combines well with my hands-on experience inspecting and testing gas cylinders in all their applications."

Stephen Butler
Ex-Army commander & Director of Integrity Management

Former Red Arrows engineer joins CSC
Before joining CSC, Craig Peckett was an engineer in the RAF for 16 years and his tours of duty included The Falklands and Iraq.

Craig Peckett comments: "Having been in the RAF for 16 years I am fully aware of the reputation CSC holds amongst the armed forces and in other sectors, where people's lives often depend on their oxygen and propellant cylinders. We relied on CSC's safety-critical cylinders every day."

Joe Priestley from Hydratron was nominated for The National Apprentice of the Year Award

A busy year of change and consolidation

“Much work has been done over the year to maintain cash generation and this achievement has enabled continued investment.”

Overview

I am pleased to present the results in what has been an incredibly busy year of change and consolidation for the Group.

The financial results show a clear difference emerging between the Manufacturing Divisions, which are higher margin, book and ship with short working capital cycle and Alternative Energy, which is lower margin long term contracting with much higher individual value projects characterised by a variable working capital profile.

Much work has been done over the year to maintain cash generation and this achievement has enabled continued investment in capital assets during the year and a strategic acquisition post year-end.

Manufacturing

Overall the Manufacturing Divisions continued to perform in line with the latest market expectations and there have been some positive developments in the year.

In September the closure of the Engineered Products US manufacturing facility was completed as part of the Group restructuring and this is presented as a discontinued operation under IFRS5 “Non-current Assets Held for Sale and Discontinued Operations” and the 2015 results have been represented accordingly. This operation had been loss making for the last two years and it had become clear that it was not of a sufficient scale to penetrate the US market effectively and should be closed. Further details of this are given in Note 8 to the financial statements.

Revenue in the continuing operations has been significantly impacted by the lower oil and gas market volumes and fell to £24.4 million (2015: £39.8 million). This is particularly marked in the PMC Division, which experienced a 43% reduction from the prior year.

Gross Profit Margin held up at 31% (2015: 32.2%). The first half of the year was stronger than the second half, which was impacted by competitive pricing pressures in PMC and the mix of work in CSC. The success of the restructuring of the Engineered Products Division is evidenced by the 4.2ppt improvement in year-on–year gross margin.

Operating profit in the Manufacturing Divisions (before acquisition costs, amortisation and exceptional charges) reduced to £2.2 million (2015: £6.7 million). The return on sales (RoS) was adversely impacted by the significant sales volume reduction, decrease in gross margin and comparatively higher fixed cost in the first half whilst the restructuring was ongoing. This is now largely complete and the divisions have been scaled down to be profitable at the low volumes experienced in the second half. The impact of this is a 4ppt improvement in RoS in the second half.

Cash generation is, and remains, strong in the Manufacturing Divisions with an operating cash inflow of £5.2 million (before exceptional redundancy costs) demonstrating the underlying stability and strength in this part of the Group.

Alternative Energy

As noted in the August trading update statement delays both in timing of award and the commencement on a number of contracts, particularly in the USA, have had a significant impact on the expected results for the year as a whole. The operating loss (before acquisition costs, amortisation and exceptional charges) was £1.1 million, slightly ahead of the latest market expectation for the year (2015: loss £1.1 million).

FINANCIAL HIGHLIGHTS

Revenue
£35.8m
(2015*: £53.8m)

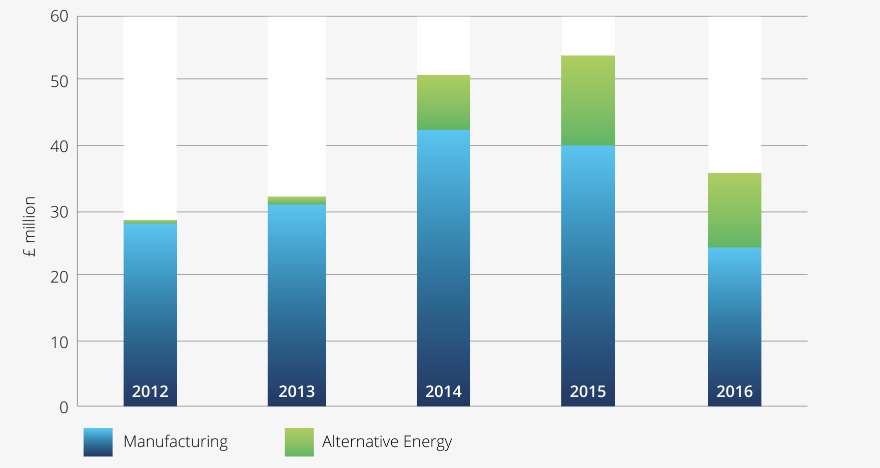
Adjusted Operating Loss**
£(0.4)m
(2015*: £3.8m profit)

Net Debt
£6.6m
(2015: £7.1m)

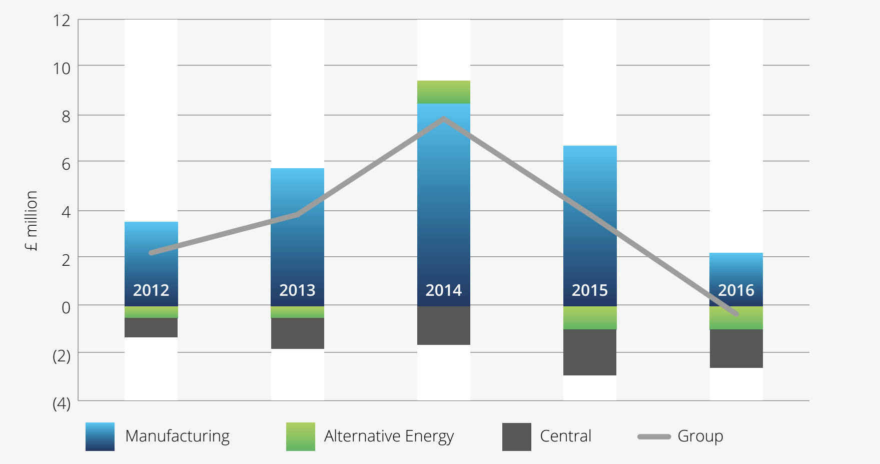
Profit After Tax
£0.6m
(2015: £1.2m)

* Represented to show results of the Engineered Products US operation as discontinued
** Before acquisition costs, amortisation and exceptional charges and credits

5 YEAR SALES HISTORY – CONTINUING OPERATIONS



FIVE YEAR OPERATING PROFIT HISTORY – CONTINUING OPERATIONS



Greenlane Biogas, has expanded its sales presence with an office in Pittsburgh, Pennsylvania to deliver enhanced service levels in the US market.

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2000 Nm3/hr
Output of biomethane to the national gas grid

Greenlane Biogas has received a multi-million pound contract from ReFood Ltd, part of the SARIA Group, to supply and install a 'Totara' biogas-to-biomethane upgrading plant at a new food waste processing site under development in Dagenham, Essex, UK.

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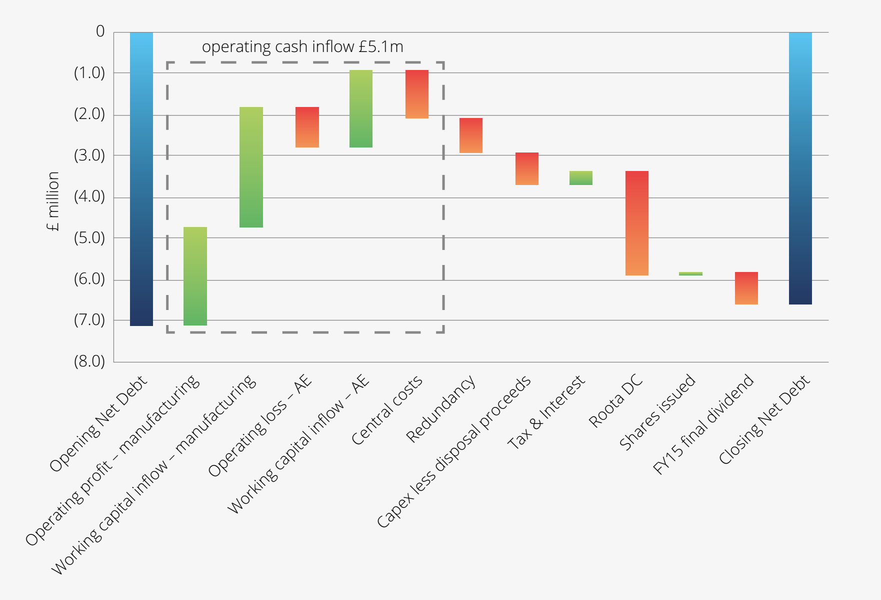
2016 CASH FLOW BRIDGE – CONTINUING OPERATIONS



In addition to the slippage of sales, we also encountered some unanticipated, additional legacy costs (£0.4 million) and margin erosion on a first of type project in North America. As a result gross margin fell to 17.4% for the full year (2015: 20.8%). Profitability improved over the year with the first half loss of £0.9 million reducing to £0.2 m in the second half, as the phasing of work and momentum in order award and commencement picked up.

The Group continued to invest in technology in the Alternative Energy Division and R&D costs of £0.2 million have been expensed in the year (2015: £0.7 million).

The remaining provision for deferred consideration of £3.3 million (net of foreign currency losses on revaluation) was released in the first half. The delays in the timing of orders and operating loss means the relevant businesses are no longer expected to hit the future trigger points for the earn-out payments which are fixed with the financial year. Given this is a non-trading item it has been presented as an exceptional item, in accordance with Group's accounting policies.

As the Alternative Energy Division grows the short-term challenge is managing the working capital requirement. Individual projects are planned to be at least working capital neutral throughout, however, given the size of the contracts and associated invoicing milestones the cash flows can be variable and disconnected from the profit recognition. The division was cash generative in the year generating £0.9 million operating cash inflow, despite the losses, as a result of the phasing of the contracts in the second half (2015: operating cash inflow £0.2 million).

Central Costs

Unallocated central costs (before acquisition costs, amortisation on acquired businesses and exceptional charges and credits) were £1.5 million (2015: £1.8 million). This reduction reflects the Group wide focus on cost reduction and combining of roles as part of the Group wide restructuring.

Foreign Exchange

The Group has a number of major exposures to movements in foreign exchange rates related to both transactional trading and translation of overseas investments.

In the year under review, the principal exposures which arose from trading activities, were to movements in the value of the Euro and the US Dollar relative to Sterling. As the Group companies both buy and sell in overseas currencies, particularly the Euro and the US Dollar, there is a degree of natural hedge already in place. In the Alternative Energy Division the currency exposure is actively managed at the outset of a project and appropriate forward contracts taken out to cover the majority of the exposure. As at 1 October 2016 there were no forward contracts in place (2015: £26k).

In 2016 a net gain of £0.7 million (2015: £0.2 million) has been recognised in adjusted operating profit in respect of realised and unrealised transactions in Euro, US Dollar, Canadian Dollar and New Zealand Dollar. A loss of £0.5 million (2015: £0.4 million gain) has been recorded below adjusted operating profit in respect of the retranslation of the deferred consideration liability denominated in New Zealand Dollars.

At the present time no cover is held against the value of overseas investments or intercompany loans with overseas entities as these are expected to be held for the long term and over the next year dividend flows are not expected to be significant.

Taxation

The tax credit for the year was £1.0 million (2015: £0.1 million). The loss before tax, effect of the change in tax rates in the year and adjustments in respect of prior years have all contributed to the significant credit in the current year.

The applicable current tax rate for the year is 20% (2015: 20.5%). The reduction in rate of tax and the utilisation of losses have resulted in a lower effective tax rate than the current rate of tax.

Corporation tax refunded in the year totalled £0.5 million (2015: tax paid £1.8 million), all of which relates to the UK.

Funding and Cash Flow

Net debt reduced to £6.6 million (2015: £7.1 million) as the strong cash generation in the Manufacturing Divisions combined with the Alternative Energy Division to generate operating cash inflow of £5.1 million, before restructuring costs of £0.7 million (2015: cash inflow £7.9 million). Net debt would have been in line with market expectation had a number of significant expected receipts in the AE Division been received before the balance sheet date. Operating cash generation in second half was stronger (£2.7 million vs £2.4 million in the first half) before exceptional redundancy costs due to the profitability of the Manufacturing Divisions.

Cash conversion in the Manufacturing Divisions was a ratio of 2.4:1. Cash conversion ratio is defined as cash inflow from operating activities divided by adjusted operating profit. The losses in AE and overall Group operating loss (before acquisition costs, amortisation and exceptional charges) mean a Group cash conversion ratio is not calculated this year (2015: 2.41:1).

Non-trading cash flows reflect the continued investment in the business through capital expenditure of £0.9 million and payment of the final Roota acquisition deferred consideration of £2.5 million, along with the final 2015 dividend payment £0.8 million.

The Group complied with all financial covenants on the banking facilities during the year.

Post Balance Sheet Events

On 7 December 2016 the Group acquired the entire issued share capital of UK based Martract Limited. The maximum total consideration for the acquisition was £4.3 million on a cash free, debt free basis, comprising an initial cash consideration of £3.7 million plus cash balances ("initial consideration") and a conditional deferred payment of up to £0.6 million ("additional consideration"). The additional consideration payable in respect of the 12 month period following the acquisition (the "earn-out period") is dependent on the future EBITDA performance of Martract. The initial consideration will be met from the Group's existing bank facilities and cash.

Joanna Allen
Finance Director
12 December 2016

Measured performance

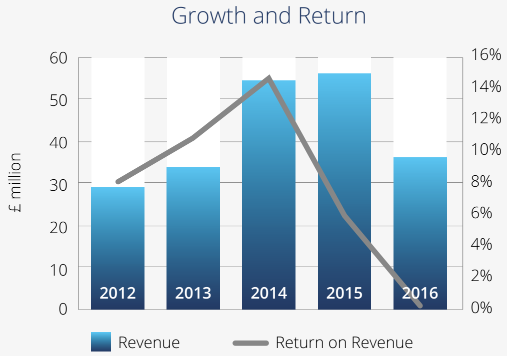
The Board uses key performance indicators ("KPIs") when assessing the performance of the Group. These KPIs are divided into three sections:

FINANCIAL PERFORMANCE

Growth and Return

Growth is measured in terms of sales revenue.

The efficiency of converting sales into profits is measured in terms of return on revenue, calculated as operating profit divided by revenue. The Group targets an overall return on revenue of at least 15%.



Cash Conversion

The cash conversion ratio measures the proportion of adjusted operating profit converted into cash in the period. This is calculated as "cash flows from operating activities" divided by adjusted operating profit. The minimum target cash conversion ratio is 1, although each division has a separate target relevant to its business activity and cycle.

Cash conversion in the Manufacturing Divisions was a ratio of 2.4:1. The losses in AE and overall Group operating loss mean a group cash conversion ratio is not calculated this year (2015: 2.41:1).

FINANCIAL PERFORMANCE continued

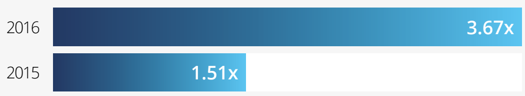
Net Debt Ratio

In 2015 the Group took on bank borrowings and the ratio of Net Debt to EBITDA is therefore relevant to be measured from 2015 onwards. This is calculated as Net Debt (cash and cash equivalents less borrowings) divided by EBITDA.

Net Debt Ratio

3.67x

(2015: 1.51x)

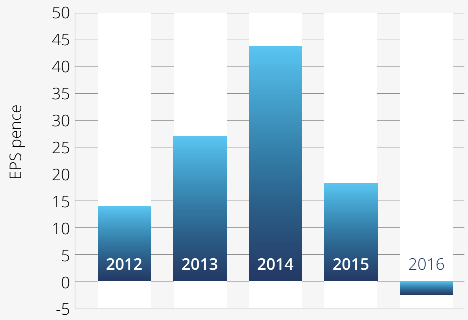


SHAREHOLDERS

Earnings per Share

Adjusted earnings per share is used as a measure of shareholder return. Details of the calculation of adjusted EPS can be found in the Finance Director's report.

Earnings per Share

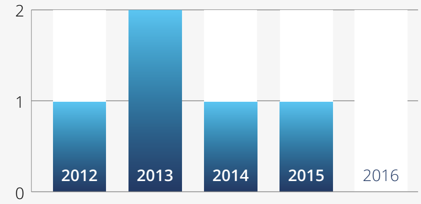


CORPORATE SOCIAL RESPONSIBILITY

Health & Safety

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

Health & Safety



Environment

The measure used is number of reportable environmental incidents. The target is zero across the Group. Environmental incidents are not graphed as there has been no reportable incident for the five year period.

0

Environmental Incidents

A full-time health, safety and environmental manager is employed by GBUK but has responsibility for these matters across the Group and reports directly to the Group CEO.

Minimising risks

Specific principal risks identified by management are described below together with management actions taken to minimise these risks. This year, and only where applicable, the risk has been split for our manufacturing businesses and our contracting business, Alternative Energy.

A REMINDER OF OUR STRATEGY

1. Consolidate and build on the current business
2. Identify and develop profitable niche opportunities in growth sectors
3. Identify and develop profitable acquisition opportunities

DIRECTION OF CHANGE

- Increase
- No change
- Decrease

Risk and Impact	Impact on Strategy	Management Strategy	Change, Probability, and Impact
Strategic			
Macro-Economic Environment *The Group's manufacturing businesses have a significant exposure to the deep-water oil and gas sector.* The Alternative Energy business is exposed to changes in the regulatory regime and cuts to subsidies.	1 2 3	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.	No change High Probability Medium Impact
Manufacturing A continued downturn in the deep-water oil and gas sector would have a significant impact on results of the Cylinder and Engineered Products and Precision Machined Components Divisions.		Restructuring across the Group continues to ensure that the Group has a suitable structure and product offerings for the new market conditions. The acquisition of Greenlane Biogas has helped balanced the Group's portfolio away from the deep-water oil and gas sector.	No change High Probability Medium Impact
Alternative Energy The Alternative Energy business operates in a subsidy / regulatory driven environment which is not directly linked to the oil and gas market.		The division has a wide geographical spread which helps to minimise risk of lowering or loss of subsidies in any one market.	Medium Probability Low Impact
Brexit *The Group conducts a significant amount of business with EU customers, sources material from EU suppliers and manufactures in the EU.* Operationally there is little risk as alternative suppliers and fabricators can be used, the main risk arises from fluctuations in foreign exchange and VAT regulations.	1 2 3	Where required the Group is registered in the EU for VAT. Alternative Energy has subcontractors in both the UK and the EU and subcontracts depending on project location. There is no large requirement for movement of employees between countries.	High Probability Low Impact

Risk and Impact	Impact on Strategy	Management Strategy	Change, Probability, and Impact
Strategic continued			
Competition ***The Group has a number of suppliers who are also competitors.*** The Group has a number of major competitors in some of its key markets who offer a wider range of products. Some of these competitors are also suppliers to various Group businesses and this exposes the Group to a risk that they might seek to displace Pressure Technologies' position in the market.	2 3	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. As part of the longer term strategy, the Group continues to expand into high value, niche markets, where there are fewer competitors and the barriers to entry are higher. Product development is pursued in order to maintain and grow the product range and reduce reliance on competitive suppliers. Key Account Management, to build long term relationships and retain high value customers, forms part of the Group's strategic plan.	Medium Probability Medium Impact
Pricing ***The Group is exposed to considerable price pressure in the oil and gas sector as well as facing increasing competition from low cost manufacturers.***	1	The Group has set minimum return on sales and 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.	High Probability Medium Impact
Manufacturing The Manufacturing Divisions face continued price pressure due to the current market dynamics following the fall in oil and gas prices. Certain businesses also increasingly operate in markets where their major competitors are based in low cost countries which have considerable cost advantages and they are able to undercut on pricing.		Cost reduction through lean manufacturing and supply chain management to mitigate the impact of pricing pressures. Divisional purchasing initiatives are in place across Precision Machining Components as well as 'insourcing' of manufacturing within the Group utilising Quadscot.	High Probability Medium Impact
Alternative Energy The division has a number of major competitors operating in the same markets both geographically and by product technology for example water-wash and PSA.		The division maintains a focused but diversified geographical spread on growth markets and seeks to develop long term partnerships within these markets. The business is also pursuing a 'technology agnostic' approach offering a mix of upgrading technologies to best suit end user's needs.	Medium Probability Medium Impact
Operational			
Management Resource ***The Group has a small management team.*** 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.	1 2 3	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. The Group has adopted a policy restricting the number of Directors travelling together.	Low Probability Medium Impact

Risk and Impact	Impact on Strategy	Management Strategy	Change, Probability, and Impact
Operational continued			
Key Employee Knowledge / Skill Base *The Group relies on skilled artisans who are often difficult to find in the market.* Manufacturing For certain business units key skills required on the shop floor are difficult to acquire and the age profile of the workforce means that there is a risk that knowledge will be lost / not enough staff will be available to support ongoing business and the planned expansion of the businesses. Alternative Energy Within Alternative Energy certain key design skills are difficult to acquire and detailed knowledge of legacy upgrading products is not widespread.	1 2	Individual business units are tasked with ensuring adequate cover to maintain operations. There is a programme of training around the Group businesses to ensure the company develops the skills required via apprenticeship programmes and internal development. As business grows additional management capacity is added, ensuring capacity / duplication is available for critical mass particular on the machining side. The Group provides attractive employment terms and conditions to ensure we attract and retain suitable skills / craftsmen.	Medium Probability Medium Impact
Customer Concentration / Disruption *The Group has a number of businesses with a high dependence on very small number of customers.* Manufacturing The long term relationships and niche nature of the Group's businesses particularly within the Precision Machined Components and Precision Engineering Divisions, meant that the businesses have a strong concentration of key customers accounting for over 70% of their respective sales revenue. The loss of one these customers would materially affect Group results. Alternative Energy The market, by its nature has a limited number of projects, and subsequently a limited number of customers and funders.	1	The Group seeks to intelligently manage the customer selection and retention program. The Group's strategic plans focus on increasing the customer base to mitigate this risk through acquisition, diversification and customer retention. Key Account Management across the Group is incorporated into the Group's strategic plan. In both Manufacturing and Alternative Energy the businesses are forging long-term partnerships and securing repeat business.	Medium Probability Medium Impact
Alternative Energy Division Growth *The Group has a high reliance on the growth of the Alternative Energy Division in order to support the overall Group.* The growth in the coming 12–18 months is reliant on the Alternative Energy Division and its failure to achieve its growth targets would have a material impact on the Group.	1	The division is focusing on developing key relationships with funders and major Engineering Procurement Contractors, positioning itself as a preferred partner in order to secure long term business through repeat orders. New product development forms a core strategic objective with the development of PSA and membrane technology to enable the division to become 'technology independent' and gain additional market share.	Medium Probability High Impact

Risk and Impact	Impact on Strategy	Management Strategy	Change, Probability, and Impact
Financial			
Liquidity and Funding Management *The Group's growth requires higher funding requirements.* The Group faces the risk that the facility becomes unavailable due to a failure to meet covenants. Furthermore the Group is dependent on the availability of funding for growth.	1 2 3	The Group extended Group banking facilities until the end of September 2018. The Group's liquidity and funding position is monitored at least monthly and reviewed at Group Board level. Implementation, and continued development, of reliable and accurate reporting methodology, remains an ongoing project.	Medium Probability High Impact
Foreign Currency *Movements in exchange rates could potentially impact Group revenue.* The Group has operations and contracts in a number of overseas countries and purchases some of its raw materials and receives payment for some of its products in a number of currencies. The acquisition of Greenlane has further exposed the Group to foreign exchange risk.	1 2 3	The Group has natural hedges for its Euros and US Dollar foreign currency exposure. It remains less covered for SEK and NZ Dollars transactions, although volume of these is limited. The Group Treasury discipline does not allow the divisions to do any foreign exchange trading. Regular reviews of the net exposure are carried out and where it is deemed necessary the exposure is reduced by the use of forward exchange contracts.	Medium Probability High Impact
Compliance			
Tax *Risk of failure to comply with tax regulations.* With the wider geographic spread of the Group and the different operating activities within Group businesses, the Group is exposed to a variety of tax regimes and risks failing to understand the requirements of individual country tax regulations. There is also the risk that the Group fails to maximise opportunities from efficient tax planning.	1	The Group outsources certain compliance functions, principally in more remote locations like New Zealand and makes use of third party advice on a region by region basis. Group tax planning strategy and policies.	Low Probability Medium Impact
Compliance and Corruption Risks *The Group is subject to risk from a failure to comply with laws and regulations.* Contracts The Group has contracts and operations in many parts of the world and operates in a highly regulated environment. The Group must ensure that all of its businesses, its employees and third party parties providing services on its behalf comply with all relevant legal obligations as non-compliance would expose the Group to fines, penalties, suspension, debarment and reputational damage.	1	The Group operates under the principles defined in the UK Bribery and Corruption Act which stipulates the standards of acceptable business conduct required from all employees and third parties acting on the Group's behalf. A program of training in relation to ethics and corruption, based on the UK Anti-Bribery and Corruption Act is in place.	Low Probability Medium Impact

Approval of the Strategic Report

The Strategic Report, as set out on pages 01 to 31, has been approved by the Board.

By order of the Board

John Hayward
Chief Executive
12 December 2016

During times of change, good governance is paramount

"Pressure Technologies prides itself on the Group's reputation for being honest and fair in the way we do business."

Pressure Technologies prides itself on the Group's reputation for being honest and fair in the way we do business. This reputation has been hard won over many years. When we use the phrase do, or doing business, it applies to the way we work with customers, suppliers, governments, fellow employees, shareholders, competitors and our local communities.

In addition, the Board fully supports the underlying principles of corporate governance contained in the UK Corporate Governance Code ("the Code"). Although as an AIM listed company we are not required to comply with these recommendations, the Board is committed to adopting the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Sized Quoted Companies ("the QCA Code") as a demonstration of our belief in, and commitment to, good governance.

As a Group we comply with the twelve principles set out in the QCA Code, however in terms of disclosure, either in our annual report, or on our website we do not currently disclose the points listed below. All of these points will be addressed this year.

- Audit committee report
- Performance evaluation descriptions
- Detailed results of shareholder voting

How the Code works in Practice for Pressure Technologies

Dealing Code

Since the introduction of the European Union's Market Abuse Regulation the Company has adopted the Quoted Companies Alliance Code for Directors' Dealings and, as applicable to AIM companies, this provides a clear process for compliance by our Directors and relevant employees of the code.

Communication with Shareholders

The Company actively encourages good communication with all its shareholders. Presentations to institutional and mid-sized investors are offered at the full-year and half-year and all investor presentations are posted to the Group website. Our Annual General Meeting, which is the platform for our private investors to directly question the Board, is held at Group company offices and where presentations are given by the Chairman and Chief Executive, as well as by an MD from a Group company. This is an exceptionally well attended event. A tour of the site is also offered for anyone who wishes to see the sharp end of the business.

Culture and Ethics

The Group has clear values, which are set out on the website. In practice, these are implemented through a variety of procedures. For example, the Group operates a detailed bribery and corruption policy which applies to every person in the Group, as well as a whistle blowing policy linked to a Non-executive Director and an external company, to ensure that anyone can raise an issue or concern.

Alan Wilson
Chairman
12 December 2016

How we Govern our Company

Every member of our Board is there for the benefit of Pressure Technologies plc. Each recognising their responsibility to the Company's shareholders and employees.

Board
The Board comprises a Non-executive Chairman, three Non-executive Directors and two Executive Directors. Across the members there is fair balance of skills, experience, independence and knowledge of the company, representing industry experience and knowledge from engineering, operational, finance and investment.

A

Audit and Risk Committee
Chaired by Neil MacDonald

The Committee meets not less than four times a year and is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It also has responsibility for the reporting of the financial performance of the Company and for reviewing financial statements prior to publication. The Audit and Risk Committee has unrestricted access to the Group's auditors and will ensure that auditor independence has not been compromised.

Risk is reviewed and updated as to whether it has increased, deceased, remained the same or is no longer a risk. New risks are also addressed at these meetings.

N

Nomination Committee
Chaired by Alan Wilson

The Nomination Committee meets at least once a year and at such other times as the Chairman of the Committee shall require. It has the responsibility for leading the process for Board appointments and making recommendations to the Board accordingly via a formal, transparent and rigorous appointment procedure.

The committee is also responsible for succession planning.

R

Remuneration Committee
Chaired by Philip Cammerman

The Remuneration Committee meets at least four times a year and reviews the performance of the Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. It also determines the allocation of share options to employees.

It is a rule of the Remuneration Committee that a Director shall not participate in discussions or decisions concerning his / her own remuneration.

See **page 36** to read more

Attendance and Meetings Record
Set out below is a summary of Board meetings held during the period and how they were attended.

	Board
Alan Wilson	12 (12)
Philip Cammerman	11 (12)
Brian Newman	12 (12)
Neil MacDonald	12 (12)
John Hayward	12 (12)
Joanna Allen	12 (12)

Our multifaceted leadership

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Company information

Registered office
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Newton Chambers Road
Chapeltown
Sheffield
South Yorkshire, S35 2PH

Registered number
06135104

Website
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Company secretary
Alexander Tristram

Investor relations
Keeley Clarke

Auditor
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Solicitors
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Sheffield, S1 2AT

Bankers
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14 Church Street
Sheffield, S1 1HP

Nominated advisor
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1 Churchill Place
London, E14 5RB

Registrars
Neville Registrars
Neville House
18 Laurel Lane
Halesowen, B63 3DA

Committees

A Audit and Risk Committee
N Nomination Committee
R Remuneration Committee

Chairman
Member

1. Alan Wilson
Independent Non-executive Chairman A N R

Appointed: February 2013

Experience: Alan is a degree qualified Chartered Engineer with 33 years of experience from working in the oil and 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.

Other roles: Alan also serves as Chairman and Non-executive Director of other private equity-backed and privately owned companies within the oil and gas sector.

2. John Hayward
Chief Executive

Appointed: June 2007

Experience: 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.

3. Joanna Allen
Group Finance Director

Appointed: July 2015

Experience: Joanna joined Pressure Technologies in July 2015 from PwC where she was a Director in their North Assurance practice, based in Sheffield. She has a BA Honours degree in Business Studies from the University of Sheffield and joined PwC as a graduate in 1998, qualifying as a Chartered Accountant in 2001. Her experience with PwC covers both audit and transaction services with a particular focus on working with clients in the manufacturing and engineering sectors.

4. Philip Cammerman
Independent Non-executive Director A N R

Appointed: April 2008

Experience: 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.

Other roles: Following his retirement from the YFM Group in 2008, he has developed a small but proactive portfolio of non-executive directorships in the engineering and finance sectors.

5. Brian Newman
Independent Non-executive Director A N R

Appointed: September 2015

Experience: Brian is a Chartered Engineer with a degree in Engineering from Cambridge University and an MBA from Penn State University, USA. He has been a Divisional Director at two FTSE 100 companies, latterly at Melrose plc as EMEA Managing Director at its subsidiary, Bridon International Group. Prior to that he spent nine years as a Divisional Managing Director at international engineering group GKN plc, with responsibility for its global Wheels and Axles Divisions. He has over 40 years' experience in engineering having also previously served on the boards of two listed companies.

Other roles: He is currently a Non-executive Director with Shrewsbury and Telford Hospital NHS Trust and a number of other organisations.

6. Neil MacDonald
Senior Independent Non-executive Director A N R

Appointed: June 2013

Experience: 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, a successful, fast growing, privately owned mechanical seals manufacturer, for five years until September 2012. Prior to this, he was Group Finance Director of the international aerospace company, Firth Rixson, both as a listed company and under private equity ownership. Neil has valuable experience in the oil and gas sector and general M&A.

Other roles: Neil is a Non-executive Director of Sheffield Children's Hospital NHS Foundation Trust, an Independent Governor on the Board of Sheffield Hallam University and is a Trustee of various charitable organisations.

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 four 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, retain 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 operates a long term incentive plan whereby, at the discretion of the Remuneration Committee, share options are granted to Executive Directors and senior managers on a rolling annual basis.

The extent to which options granted vest is 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 follows:

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 is 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 is set at the outset and is 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.

Directors' Remuneration

Particulars of Directors' remuneration are as follows:

	Salary and fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Total 2016 £'000	Total 2015 £'000	Employers' national insurance 2016 £'000	Employers' national insurance 2015 £'000
Non-Executive:								
Alan Wilson	**56**	**—**	**—**	**—**	**56**	45	**2**	—
Philip Cammerman	**38**	**—**	**—**	**—**	**38**	30	**4**	3
Nigel Luckett*	**—**	**—**	**—**	**—**	**—**	28	**—**	3
Brian Newman**	**40**	**—**	**—**	**—**	**40**	3	**4**	—
Neil MacDonald	**38**	**—**	**—**	**—**	**38**	30	**4**	3
Executive:								
John Hayward	**203**	**1**	**—**	**21**	**225**	213	**27**	25
Joanna Allen***	**143**	**1**	**—**	**20**	**164**	32	**19**	4
Thomas James Lister****	**—**	**—**	**—**	**—**	**—**	115	**—**	13
Total remuneration	**518**	**2**	**—**	**41**	**561**	496	**60**	51

*(Resigned 1 September 2015)
**(Appointed 1 September 2015)
***(Appointed 13 July 2015)
****(Resigned 30 June 2015)

Part of the remuneration of Alan Wilson was paid to a management company which he controls.

The number of Directors who accrued benefits under money purchase pension arrangements in the period was two (2015: three).

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 2016 £'000	Total 2015 £'000
Non-Executive:		
Philip Cammerman	**2**	3
Nigel Luckett (Resigned 1 September 2015)	**—**	6
Executive:		
John Hayward	**56**	84
Thomas James Lister (Resigned 30 June 2015)	**—**	6
Total dividends paid to Directors	**58**	99

Strategic Report
Governance
Financial Statements

REPORT OF THE REMUNERATION COMMITTEE continued

Directors' Options

The Directors' interests in share options are as follows:

	Scheme	Date granted	Number	Option price
John Hayward	Long Term Incentive Plan	3 April 2014	24,972	720.80p
John Hayward	Long Term Incentive Plan	12 December 2014	38,028	473.33p
John Hayward	Long Term Incentive Plan	21 December 2015	104,219	196.17p
Joanna Allen	Save-as-you-earn Scheme	30 July 2015	4,466	161.20p
Joanna Allen	Long Term Incentive Plan	21 December 2015	71,366	196.17p

The movements in share options held by Directors in the period is as follows:

	John Hayward No.	Joanna Allen No.
Outstanding at the beginning of the period	63,000	4,466
Granted during the period	104,219	71,366
Outstanding at the end of the period	167,219	75,832

On behalf of the Board

Philip Cammerman
Chairman, Remuneration Committee
12 December 2016

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the period from 4 October 2015 to 1 October 2016.

Principal Activities

During the period, Pressure Technologies plc ("PT") was 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. CSC has one subsidiary, CSC Deutschland GmbH, based in Germany.

The Company holds a 40% strategic investment in Kelley GTM, LLC, whose principal activity is the manufacture of high pressure vessels for gas transport solutions. Kelley GTM, LLC is based in Amarillo, Texas.

Precision Machined Components

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

Roota Engineering Limited ("Roota") whose principal activity is the manufacture of precision engineered products for use in the oil and gas industry.

The Quadscot Group of Companies ("Quadscot Holdings Limited" and "Quadscot Precision Engineers Limited") whose principal activity is the manufacture of precision engineered products for use in the oil and gas industry.

Engineered Products

The Hydratron Group of Companies, ("Hydratron Limited" 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.

On 6 September 2016 the Group finalised the closure of its manufacturing facility in Houston. Further details on this discontinued operation can be seen in note 8 to the financial statements.

Alternative Energy

The Greenlane Group of Companies ("Greenlane Biogas UK Limited", "Greenlane Biogas Europe Limited", "Greenlane Biogas North America Limited", "Greenlane Technologies Limited", "PT Biogas Technologies Limited" and "PT Biogas Holdings Limited") whose principal activities are the provision of turnkey solutions for the cleaning, storage and dispensing of gas for injection into the grid or use as a vehicle fuel, and the sale of heat exchange and gas compression units.

Results and Dividends

The consolidated statement of comprehensive income is set out on page 44. The loss on ordinary activities before taxation of the Group for the period ended 1 October 2016 amounted to £0.4 million (2015: £1.1 million profit).

No interim dividend was paid in the period (2015: 2.8p). The Directors do not recommend the payment of a final dividend (2015: 5.6p).

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 2016 (2015: nil).

DIRECTORS' REPORT continued

Substantial Shareholdings

As at 17 November 2016, 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
Liontrust Asset Management	1,352,783	9.3%
Schroder Investment Management	1,165,701	8.1%
City Financial	1,080,000	7.8%
John Hayward	1,002,221	7.0%
Hargreaves Lansdown	813,323	5.6%
Hargreave Hale	812,950	5.6%
James Sharp	677,055	4.7%
Unicorn Asset Management	567,167	3.9%
Artemis Investment Management	517,500	3.6%
Bank of America Merrill Lynch	515,743	3.6%
A J Bell Securities	502,927	3.4%
Slater Investments	465,000	3.2%

Directors and their Interests

The present Directors of the Company are set out on page 35.

All Directors were Directors throughout the period unless otherwise stated.

Ordinary Shares	**1 October 2016 No.**	3 October 2015 No.
John Hayward	**1,002,221**	1,002,221
Philip Cammerman	**33,395**	33,395
Neil MacDonald	**5,200**	5,200
Alan Wilson	**—**	—
Joanna Allen	**—**	—
Brian Newman	**—**	—

Share Options

On 21 December 2015, options were granted over 410,391 ordinary shares under the rules of the company's long term incentive plan. The options have an exercise price of 196.17p. The options are exercisable between three and six years following the date of grant.

On 2 August 2016 options were granted over 85,440 ordinary shares under the rules of the Pressure Technologies plc Save-As-You-Earn Scheme at an exercise price of 150p. The options are exercisable after three years and lapse six months after this date if they are not exercised.

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 26 to the consolidated financial statements.

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

The financial statements have been prepared on a going concern basis. The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The principal risks and uncertainties are set out from page 28. The Financial Reporting council issued "Guidance on the Going Concern based of Accounting and Reporting on solvency and Liquidity risks" in 2016. The Directors have considered this when preparing these financial statements.

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 2016 / 2017 and beyond and that the Group has sufficient cash reserves and bank facilities to enable the Group to meet its obligations as they fall due for a period of at least twelve 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.

Events after the Reporting Period

On 7 December 2016, the Pressure Technologies plc purchased the entire issued share capital of Martract Limited. The maximum total consideration for the Acquisition is £4.3 million on a cash free, debt free basis, comprising an initial cash consideration of £3.7 million plus cash balances ("Initial Consideration") and a conditional deferred payment of up to £0.6 million ("Additional Consideration"). The Additional consideration payable in respect of the 12 month period following the Acquisition (the "Earn-out Period") is dependent on the future EBITDA performance of Martract.

Statement of Directors' Responsibilities for the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' 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 Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' ("FRS 101"). 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

Statement of Directors' Responsibilities for the Financial Statements 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.

Corporate Governance

The Group's corporate governance is set out on its website under the AIM rule 26 section.

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

John Hayward
Chief Executive
12 December 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRESSURE TECHNOLOGIES PLC

We have audited the financial statements of Pressure Technologies plc for the year ended 1 October 2016 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the accounting policies, the notes to the consolidated financial statements, the company balance sheet, the company statement of changes in equity and the notes to the 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of 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 41, 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 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/auditscopeukprivate.

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 1 October 2016 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 Chairman's Statement, Strategic Report, Report of the Remuneration Committee and 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.

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
12 December 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 week period ended 1 October 2016

	Notes	**52 weeks ended 1 October 2016 £'000**	53 weeks ended 3 October 2015 £'000
Revenue	1	**35,753**	53,816
Cost of sales		**(26,211)**	(38,056)
Gross profit		**9,542**	15,760
Administration expenses		**(9,923)**	(11,942)
Operating (loss) / profit before acquisition costs, amortisation and exceptional charges and credits	1	**(381)**	3,818
Separately disclosed items of administrative expenses:			
Amortisation and acquisition related exceptional items	5	**1,123**	(291)
Other exceptional charges and credits	6	**(798)**	(425)
Operating (loss) / profit		**(56)**	3,102
Finance income	2	**32**	15
Finance costs	3	**(335)**	(457)
Exceptional costs in relation to the option on and loan to KGTM	7	**—**	(1,408)
Share of losses of associate	19	**—**	(151)
(Loss) / profit before taxation	4	**(359)**	1,101
Taxation	12	**1,002**	121
Profit for the period from continuing operations		**643**	1,222
Discontinued operations			
Loss for the year from discontinued operations	8	**(1,331)**	(523)
(Loss) / profit for the period attributable to owners of the parent		**(688)**	699
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences on translation of foreign operations		**(426)**	(10)
Total comprehensive income for the period attributable to the owners of the parent		**(1,114)**	689
Basic earnings per share			
From continuing operations	13	**4.4p**	8.5p
From discontinued operations	13	**(9.2)p**	(3.6)p
From (loss) / profit for the period		**(4.8)p**	4.9p
Diluted earnings per share			
From continuing operations	13	**4.4p**	8.4p
From discontinued operations	13	**(9.2)p**	(3.6)p
From (loss) / profit for the period		**(4.8)p**	4.8p

The accounting policies and notes on pages 48 to 80 form part of these financial statements.

Financial Statements

CONSOLIDATED BALANCE SHEET

As at 1 October 2016

	Notes	**1 October 2016 £'000**	3 October 2015 £'000
Non-current assets			
Goodwill	15	**15,020**	15,020
Intangible assets	16	**11,329**	13,451
Property, plant and equipment	17	**13,765**	14,348
Deferred tax asset	27	**544**	270
Investment in associates	19	**—**	—
		40,658	43,089
Current assets			
Inventories	20	**5,210**	7,414
Trade and other receivables	21	**11,279**	13,539
Cash and cash equivalents		**6,073**	3,459
Derivative financial instruments	22	**—**	26
Current tax asset		**—**	82
		22,562	24,520
Total assets		**63,220**	67,609
Current liabilities			
Trade and other payables	23	**(12,069)**	(13,025)
Borrowings	24	**(242)**	(337)
Current tax liabilities		**(258)**	—
		(12,569)	(13,362)
Non-current liabilities			
Other payables	23	**(1,398)**	(5,078)
Borrowings	24	**(12,411)**	(10,236)
Deferred tax liabilities	27	**(2,027)**	(2,592)
		(15,836)	(17,906)
Total liabilities		**(28,405)**	(31,268)
Net assets		**34,815**	36,341
Equity			
Share capital	28	**724**	721
Share premium account		**21,620**	21,539
Translation reserve		**(401)**	25
Retained earnings		**12,872**	14,056
Total equity		**34,815**	36,341

The accounting policies and notes on pages 48 to 80 form part of these financial statements.

The financial statements were approved by the Board on 12 December 2016 and signed on its behalf by:

Joanna Allen
Director
Company number: 06135104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 week period ended 1 October 2016

	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 27 September 2014		718	21,463	35	14,313	36,529
Dividends	14	—	—	—	(1,209)	(1,209)
Share based payments		—	—	—	253	253
Shares issued		3	76	—	—	79
Transactions with owners		3	76	—	(956)	(877)
Profit for the period		—	—	—	699	699
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	(10)	—	(10)
Total comprehensive income		—	—	(10)	699	689
Balance at 3 October 2015		721	21,539	25	14,056	36,341
Dividends	14	—	—	—	(810)	(810)
Share based payments	29	—	—	—	314	314
Shares issued	28	3	81	—	—	84
Transactions with owners		3	81	—	(496)	(412)
Loss for the period		—	—	—	(688)	(688)
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	(426)	—	(426)
Total comprehensive income		—	—	(426)	(688)	(1,114)
Balance at 1 October 2016		**724**	**21,620**	**(401)**	**12,872**	**34,815**

The accounting policies and notes on pages 48 to 80 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 week period ended 1 October 2016

	Notes	**52 weeks ended 1 October 2016 £'000**	53 weeks ended 3 October 2015 £'000
Operating activities			
Cash flows from operating activities	30	**4,405**	7,925
Finance costs paid		**(228)**	(220)
Income tax refund / (paid)		**504**	(1,770)
Net cash inflow from operating activities		**4,681**	5,935
Investing activities			
Proceeds from sale of fixed assets		**84**	181
Purchase of property, plant and equipment		**(883)**	(6,250)
Cash outflow on purchase of subsidiaries net of cash acquired		**—**	(9,648)
Cash outflow on payment of deferred consideration		**(2,500)**	(2,000)
Net cash used in investing activities		**(3,299)**	(17,717)
Financing activities			
New borrowings		**2,300**	10,000
Repayment of borrowings		**(342)**	(185)
Dividends paid		**(810)**	(1,209)
Shares issued		**84**	79
Receipt of government grants		**—**	200
Net cash from financing activities		**1,232**	8,885
Net increase / (decrease) in cash and cash equivalents		**2,614**	(2,897)
Cash and cash equivalents at beginning of period		**3,459**	6,356
Cash and cash equivalents at end of period		**6,073**	3,459

The accounting policies and notes on pages 48 to 80 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 Financial Reporting Standard 101 ("FRS 101"). These are presented on pages 81 to 90.

Pressure Technologies plc, company number 06135104, is incorporated and domiciled in the United Kingdom. The registered office address is Unit 6b Newton Business Centre, Newton Chambers Road, Chapeltown, Sheffield, South Yorkshire, S35 2PH.

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ended 1 October 2016. 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 2016/2017 and beyond and that the Group has sufficient cash reserves and headroom in borrowing facilities 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 9 Financial Instruments (effective date 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective date 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective date 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)
- IFRS 16 Leases (effective date 1 January 2019)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
- Amendments to IFRS 2: Classification and measurement of Share-based Payment Transactions (effective 1 January 2018)
- Amendments to IAS 7: Disclosure Initiative (effective date 1 January 2017)

Management have assessed the impact that the implementation of IFRS 15 will have on revenue recognition, particularly with reference to construction contracts. Changes have been made to internally reported management information to ensure complete and accurate data capture.

Other than in respect of IFRS 16 Leases, the application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position. However, they may give rise to additional disclosures being made in the financial statements.

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

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

Critical accounting judgements

Revenue recognition

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.

Stage of completion on construction contracts

The Group assess the stage of completion of a contract based on internal estimates, with reference to the proportion of costs incurred and the proportion of work performed.

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 indefinite life 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 recoverable amount 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 their recoverable amount.

Deferred consideration

The Group has acquired, as a result of acquisition activity, significant liabilities in respect of deferred consideration. The payment of this consideration is contingent on the results of the acquired entities. Upon acquisition, deferred consideration is recognised at fair value. The Directors review the amount of deferred consideration alongside forecast results for the relevant businesses and assess the amount considered to be payable. Where an adjustment to deferred consideration is deemed necessary, the difference is recognised in profit and loss as an exceptional item.

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. The level of inventory provisions is disclosed in note 20 to the financial statements.

Valuation of intangible assets acquired through business combinations

As far as possible, professional advice is sought on the valuation of intangible assets. The Directors estimate the value of intangible assets with reference to any advice received, based on their experience of the value of such assets in similar businesses and under similar market conditions. The carrying value of intangible assets is disclosed in note 16 to the financial statements.

Warranty Provisions

Under certain contractual arrangements, the Group provides a warranty in relation to some products sold, which could result in the future transfer of economic benefits from the entity. The Directors review the products for which a warranty is provided, and assess the amount of provision required to meet future potential liabilities. Warranty periods vary between products but are typically one year in duration.

Stage of completion on construction contracts

The carrying amount of construction contracts and revenue recognised from construction contracts reflects management's best estimate about each contract's outcome and stage of completion but are subject to estimation uncertainty.

Deferred consideration

The Directors have assessed the carrying value of deferred consideration that is contingent on the future results of acquired entities by reviewing forecasts. These forecasts by nature are subject to an element of estimation uncertainty.

ACCOUNTING POLICIES continued

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 1 October 2016 (2015: to 3 October 2015). 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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's 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 consideration transferred, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Deferred 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. Where this deferred consideration arises in a currency other than Sterling, the liability is revalued at each period end date.

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 and Precision Machined Components

In applying the above policy, revenue is recognised in the Engineered Products segment when production is complete, the goods are ready to be despatched, the goods have passed any applicable factory and customer acceptance tests 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 in accordance with IAS 11, 'Construction contracts' for biogas upgrader projects.

The division designs and constructs biogas upgrading units for the production of biomethane for supply to the gas grid or for use as vehicle fuel. Once a contract is sufficiently advanced and the outcome of the contract can be measured reliably, contract revenue, costs and profits are recognised over the period of the contract by reference to the stage of completion of each contract. The stage of completion of a contract is determined by internal estimates, with reference to the proportion of costs incurred. Revenue is recognised in proportion to the total revenue expected on the contract.

Prior to this recognition, stage payments received from customers and made to suppliers are recorded in the consolidated balance sheet as trade and other receivables and trade and other payables as appropriate.

If contract costs are expected to exceed contract revenue, then the expected loss is recognised immediately in the consolidated statement of comprehensive income.

Contract revenue includes an assessment of the amounts agreed in the contract, plus or less any variations in contract work and claims to the extent that they are approved and can be measured reliably.

Once revenue has started to be recognised on an individual contract, the Group reports the position for each contract as either an asset or a liability. In instances where costs incurred plus recognised profits exceed billings to date an asset is recognised. Similarly, a liability is recognised where billings to date exceed costs incurred and profits recognised.

The Alternative Energy segment also enters into maintenance and service agreements with customers. Revenue on these agreements is recognised in accordance with IAS18, 'Revenue'. Revenue is recognised in accordance with the stage of completion of the maintenance or service agreement.

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 the consolidated statement of comprehensive income 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.

ACCOUNTING POLICIES continued

Property, plant and equipment

Plant and equipment is stated at cost, net of depreciation and any provision for impairment. Property, plant and equipment is held at historical cost with the exception of assets acquired on business combinations. These are added at their fair value and depreciated accordingly. Land is not depreciated. Assets under construction are recognised when costs are incurred in the construction of an asset and are not depreciated until the asset is ready for use. Depreciation on other assets 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:

Buildings	50 years
Plant and machinery	3 – 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.

Intangible assets

Development costs

Development costs are recognised at cost, net of amortisation or provision for impairment, where the recognition requirements under IAS 38 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 project;
- 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 consolidated 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.

Amortisation on intangible assets is charged in cost of sales, with the exception of that on intangible assets acquired on business combinations, which is disclosed separately in the consolidated statement of comprehensive income.

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
License and distribution agreement	15 years
Non-contractual customer relationships	5 – 10 years
Technology	7.5 years

Impairment testing of non-current assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. 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.

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 the 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);
- 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 categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through profit or loss. Changes in fair value due to subsequent measurement are recognised in profit or loss.

ACCOUNTING POLICIES continued

Accounting for financial assets continued
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are considered for impairment on a case-by-case basis, and impairment is recognised 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 initially held at fair value (including transaction costs) after discounting and the difference is recognised in the consolidated statement of comprehensive income under financing costs, or asset. 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. Discounting on financial liabilities is omitted where the effect is immaterial. However, where it is required, the liability is initially recognised at fair value after discounting and the difference is recognised in the consolidated statement of comprehensive income under financing costs. Deferred consideration on acquisitions are the main balances where such treatment is required.

Measurement of fair value financial instruments
The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Group Finance Director and to the audit committee. Valuation processes and fair value changes are discussed at least every year, in line with the Group's reporting dates.

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. At certain times 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.

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

As a result of corporate acquisition activity, the Group has significant potential deferred consideration balances denominated in foreign currencies. Any exchange differences arising on these balances are recognised in profit and loss. Given the large balances and therefore the potential effect on the results of the Group, the Directors consider it appropriate to disclose these foreign exchange movements as an exceptional item.

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 four 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. The Group's share of the results of KGTM are included within the cylinders segment.
- Precision Machined Components: the manufacture of specialised, precision engineered valve wear parts used in the oil and gas industries.
- Engineered Products: the manufacture of precision engineered products, 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.

ACCOUNTING POLICIES continued

Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement. When the Group's share of losses in an associate equals or exceeds this interest in the associate, the Group does not recognise further losses unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit / (loss) of associates' in the consolidated statement of comprehensive income.

The Group considers that it has significant influence over another entity when it has less than 50% but more than 20% of the voting rights of that entity. Given Pressure Technologies has 40% of the voting rights of Kelley GTM, the Directors consider that it has significant influence and therefore it is treated as an associate.

Exceptional items

One off, non-trading items with a material effect on results are disclosed separately on the face of the Consolidated Statement of Comprehensive Income. The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature, should be classified as exceptional items. The Directors consider that separate disclosure of these items is relevant to an understanding of the Group's financial performance.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Operating profit

Operating profit is stated before finance costs, finance income, share of profits and losses from associates and finance related exceptional costs. Adjusted operating profit is stated after adding back any other exceptional items.

Discontinued operations

A discontinued operation is a component of the Company that has either been disposed of or meets the criteria to be classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

The results of discontinued operations are analysed separately from continuing operations on the face of the Statement of Comprehensive Income and the related notes. Where there is a newly identified discontinued operation in the year, the prior year Statement of Comprehensive Income and the related notes are restated as if the operation was classified as discontinued at that time.

The results of discontinued operations include the post-tax profit or loss on the discontinued operation along with the post-tax gain or loss recognised on the re-measurement of the non-current assets of the discontinued operation to fair value less costs to sell, and the subsequent gain or loss on disposal of the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segment analysis

The financial information by segment detailed below is frequently reviewed by the Chief Executive who has been identified as the Chief Operating Decision Maker ("CODM"). The Manufacturing and Alternative Energy Divisions are distinct due to the nature of the underlying businesses and as such are grouped on that basis.

	Manufacturing						
For the 52 week period ended 1 October 2016	**Cylinders £'000**	**Precision Machined Components £'000**	**Engineered Products £'000**	**Manu-facturing sub total £'000**	**Alternative Energy £'000**	**Central costs £'000**	**Total £'000**
Revenue							
– total	9,538	11,319	4,163	25,020	11,335	—	36,355
– revenue from other segments	—	(576)	(23)	(599)	(3)	—	(602)
Revenue from external customers	9,538	10,743	4,140	24,421	11,332	—	35,753
Gross Profit	3,226	3,350	994	7,570	1,972	—	9,542
Operating profit / (loss) before acquisition costs, amortisation on acquired businesses and exceptional charges and credits	1,053	1,398	(291)	2,160	(1,060)	(1,481)	(381)
Acquisition related exceptional items and amortisation (charges) / credits	—	(1,462)	—	(1,462)	(703)	3,288	1,123
Other exceptional charges	(84)	(359)	(333)	(776)	(22)	—	(798)
Operating profit / (loss)	969	(423)	(624)	(78)	(1,785)	1,807	(56)
Exceptional costs in relation to the option on and loan to KGTM	—	—	—	—	—	—	—
Share of losses of associate	—	—	—	—	—	—	—
Net finance (costs) / income	—	(11)	—	(11)	29	(321)	(303)
Profit / (loss) before tax	969	(434)	(624)	(89)	(1,756)	1,486	(359)
Segmental net assets*	7,132	22,153	2,868	32,153	13,876	(11,214)	34,815
Other segment information:							
Capital expenditure	419	268	140	827	92	42	961
Depreciation	330	822	128	1,280	95	102	1,477
Amortisation	—	1,462	—	1,462	703	1	2,166

* 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. Segment analysis continued

For the 53 week period ended 3 October 2015	Manufacturing: Cylinders £'000	Manufacturing: Precision Machined Components £'000	Manufacturing: Engineered Products £'000	Manu-facturing sub total £'000	Alternative Energy £'000	Central costs £'000	Total £'000
Revenue							
– total	14,343	18,815	6,687	39,845	13,971	—	53,816
– revenue from other segments	—	—	—	—	—	—	—
Revenue from external customers	14,343	18,815	6,687	39,845	13,971	—	53,816
Gross Profit	5,289	6,250	1,311	12,850	2,910	—	15,760
Operating profit / (loss) before acquisition costs, amortisation on acquired businesses and exceptional charges and credits	2,111	4,512	122	6,745	(1,142)	(1,785)	3,818
Acquisition related exceptional items and amortisation (charges) / credits*	—	(1,425)	(135)	(1,560)	(720)	1,989	(291)
Other exceptional credits / (charges)	297	—	(263)	34	(309)	(150)	(425)
Operating profit / (loss)	2,408	3,087	(276)	5,219	(2,171)	54	3,102
Exceptional costs in relation to the option on and loan to KGTM	—	—	—	—	—	(1,408)	(1,408)
Share of losses of associate	(151)	—	—	(151)	—	—	(151)
Net finance (costs) / income	—	(30)	2	(28)	3	(417)	(442)
Profit / (loss) before tax	2,257	3,057	(274)	5,040	(2,168)	(1,771)	1,101
Segmental net assets**	7,452	23,671	4,594	35,717	11,321	(10,697)	36,341
Other segment information:							
Capital expenditure	1,254	1,058	110	2,422	123	3,757	6,302
Depreciation	318	770	104	1,192	93	85	1,370
Amortisation	—	1,425	135	1,560	720	—	2,280

There has been no significant trading between the segments in the period.

* Includes fees associated with making acquisitions
** 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

1. Segment analysis continued

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

Revenue	2016 £'000	2015 £'000
United Kingdom	**17,235**	29,211
Europe	**7,817**	8,929
Rest of the World	**10,701**	15,676
	35,753	53,816

The Group's largest customer contributed 7% to the Group's revenue (2015: 12%) and is reported within the Precision Machined Components segment. No customers contributed more than 10% in the period to 1 October 2016 (2015: 1).

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

Revenue	2016 £'000	2015 £'000
Oil and gas	**15,527**	30,822
Defence	**6,469**	7,471
Industrial gases	**2,372**	1,502
Alternative energy	**11,385**	14,021
	35,753	53,816

The above table is provided for the benefit of shareholders. It is not provided to the PT board or the CODM 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 and additions to property, plant and equipment.

	2016			2015		
	United Kingdom £'000	**Rest of the World £'000**	**Total £'000**	United Kingdom £'000	Rest of the World £'000	Total £'000
Non-current assets	**40,581**	**77**	**40,658**	42,954	135	43,089
Additions to property, plant and equipment	**859**	**102**	**961**	6,191	111	6,302

2. Finance income

	2016 £'000	2015 £'000
Interest receivable on bank deposits	**32**	6
Discounting adjustment on loans and receivables	**—**	9
	32	15

3. Finance costs

	2016 £'000	2015 £'000
Interest payable on bank loans and overdrafts	**246**	195
Interest payable on finance leases	**14**	31
Discounting adjustment on trade and other payables	**75**	231
	335	457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. Profit before taxation

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

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment – owned assets	**1,387**	1,271
Depreciation of property, plant and equipment – assets under finance lease and hire purchase agreements	**90**	99
Loss / (profit) on disposal of fixed assets	**9**	(10)
Amortisation of intangible assets acquired on business combinations	**2,166**	2,280
Amortisation of grants receivable	**(99)**	(104)
Staff costs (see note 10)	**12,911**	16,366
Cost of inventories recognised as an expense	**20,538**	27,615
Operating lease rentals:		
– Land and buildings	**323**	638
– Machinery and equipment	**90**	94
Foreign currency gain	**(711)**	(215)
Share based payments	**311**	253
Research and development	**209**	748

5. Amortisation and acquisition related exceptional items

	2016 £'000	2015 £'000
Amortisation of intangible assets	**(2,166)**	(2,280)
Acquisition costs	**—**	(177)
Deferred consideration write back	**3,766**	1,749
Foreign currency (loss) / gain on revaluation of deferred consideration liability	**(477)**	417
	1,123	(291)

The deferred consideration write back relates to the deferred consideration arising from the acquisition of the Greenlane Group of Companies. The payment of this consideration is contingent on the future results of the acquired entities. The Directors have reviewed forecasts in relation to Greenlane and consider that it is unlikely that the consideration will be paid, and as such it has been released. Given the magnitude of the release and the fact that it is non-trading, the Directors consider it appropriate to disclose this as an exceptional item.

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

6. Other exceptional (charges) / credits

	2016 £'000	2015 £'000
Reorganisation and redundancy	**(732)**	(747)
Costs in relation to HSE investigation	**(66)**	—
Release of rent provision	**—**	322
	(798)	(425)

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

Costs in relation to the HSE investigation are costs borne by the Group as a direct result of the accident at Chesterfield Special Cylinders which are not recoverable through insurance. Given the non-trading nature of these costs, the Directors consider it appropriate to disclose this as an exceptional item. Further details on the HSE investigation can be seen in note 32.

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

7. Exceptional costs – KGTM write off

	2016 £'000	2015 £'000
Exceptional provisions in relation to the option on and loans to KGTM	**—**	1,408

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

8. Results of discontinued operation

	2016 £'000	2015 £'000
Revenue	**1,267**	1,754
Expenses	**(1,865)**	(2,277)
Operating Profit pre-exceptional costs	**(598)**	(523)
Exceptional costs:		
Reorganisation and redundancy	**(278)**	—
Impairment of assets on closure	**(455)**	—
Loss before taxation	**(1,331)**	(523)
Taxation	**—**	—
Profit for the year	**(1,331)**	(523)

Due to the oil and gas market conditions that continued into the second half of the accounting period, as part of the groups restructuring, the US operation of the engineered products division was closed during the year. The manufacturing facilities were wound down and fully closed in early September.

	2016 £'000	2015 £'000
Cash flows from discontinued operations		
Net cash used in operating activities	**(679)**	(150)
Net cash from / (used in) investing activities	**27**	(40)
Net cash from financing activities	**783**	135
Net cash flows for the year	**131**	(55)

9. Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's Auditor for the audit of the company and consolidated financial statements	**40**	27
Fees payable to the Company's Auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**107**	104
Fees payable to the Company's Auditor for non-audit services:		
– Tax services	**34**	26
– Other services	**17**	12

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. Employee costs

Particulars of employees, including Executive Directors:

	2016 £'000	2015 £'000
Wages and salaries	**11,422**	14,176
Social security costs	**1,042**	1,378
Pension costs	**447**	463
Share based payments	**311**	253
	13,222	16,270

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

	2016 No.	2015 No.
Production	**175**	249
Selling and distribution	**41**	39
Administration	**74**	95
	290	383

The total number of employees, employed by the group on 1 October 2016 was 244 (2015: 351).

11. Directors' remuneration

Particulars of Directors' remuneration are as follows:

	2016 £'000	2015 £'000
Emoluments – short term employee benefits	**520**	460
Pension costs – post employment benefits	**41**	34
Employers' national insurance	**60**	51
Share based payments	**65**	4
	686	549

Please see the Report of the Remuneration Committee on pages 36 to 38 for full details of Directors' emoluments which have been audited.

No Directors exercised any share options in the year.

During the year retirement benefits were accruing to 2 (2015: 3) Directors in respect of defined contributions schemes.

Included in the aggregate emoluments for the period ended 1 October 2016 are payments of £36,000 (2015: £48,000) made by the Company to third parties. The highest paid Director received total emoluments of £204,000 and pension contributions of £21,000 (2015: total emoluments of £193,000 and pension contributions of £20,000).

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'.

12. Taxation

	2016 £'000	2015 £'000
Current tax		
Current tax expense	**—**	269
Over provision in respect of prior years	**(163)**	(79)
	(163)	190
Deferred tax		
Origination and reversal of temporary differences	**(839)**	(307)
Over provision in respect of prior years	**—**	(4)
	(839)	(311)
Total taxation credit	**(1,002)**	(121)

Corporation tax is calculated at 20% (2015: 20.5%) of the estimated assessable profit for the period. Deferred tax is calculated at the rate expected to be substantively enacted when the temporary differences unwind (2015: 20%).

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

	2016 £'000	2015 £'000
Profit before taxation	**(359)**	1,101
Theoretical tax at UK corporation tax rate 20% (2015: 20.5%)	**(72)**	226
Effect of (credits) / charges:		
– non-deductible expenses and other timing differences	**131**	(46)
– disallowable release of deferred consideration	**(658)**	(369)
– other disallowable acquisition costs	**—**	126
– Research and development allowance	**(54)**	(23)
– adjustments in respect of prior years	**(160)**	(83)
– effect of unrealised overseas	**126**	46
– change in taxation rates	**(315)**	2
Total taxation credit	**(1,002)**	(121)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13. 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 adjusted earnings per share is also calculated based on the basic weighted average number of shares.

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.

For the 52 week period ended 1 October 2016	**Continuing £'000**	**Discontinued £'000**	**Total £'000**
Profit / (loss) after tax	**643**	**(1,331)**	**(688)**

	No.
Weighted average number of shares – basic	**14,449,195**
Dilutive effect of share options	**1,983**
Weighted average number of shares – diluted	**14,451,178**

Basic earnings per share	**4.4p**	**(9.2)p**	**(4.8)p**
Diluted earnings per share	**4.4p**	**(9.2)p**	**(4.8)p**

The Group adjusted earnings per share is calculated as follows:			
Profit / (loss) after tax	**643**	**(1,331)**	**(688)**
Amortisation and acquisition related exceptional items (note 5)	**(1,123)**	**—**	**(1,123)**
Other exceptional charges and credits (note 6 and 8)	**798**	**278**	**1,076**
Impairment of assets on closure	**—**	**455**	**455**
Theoretical tax effect of above adjustments	**(688)**	**(56)**	**(744)**
Adjusted earnings	**(370)**	**(654)**	**(1,024)**
Adjusted earnings per share	**(2.6)p**	**(4.5)p**	**(7.1)p**

For the 53 week period ended 3 October 2015	Continuing £'000	Discontinued £'000	Total £'000
Profit / (loss) after tax	1,222	(523)	699

	No.
Weighted average number of shares – basic	14,378,392
Dilutive effect of share options	144,690
Weighted average number of shares – diluted	14,523,082

Basic earnings per share	8.5p	(3.6)p	4.9p
Diluted earnings per share	8.4p	(3.6)p	4.8p

The Group adjusted earnings per share is calculated as follows:			
Profit / (loss) after tax	1,222	(523)	699
Amortisation and acquisition related exceptional items (note 5)	291	—	291
Other exceptional charges and credits (note 6)	425	—	425
Exceptional costs in relation to the option on and loan to KGTM	1,408	—	1,408
Theoretical tax effect of above adjustments	(739)	—	(739)
Adjusted earnings	2,607	(523)	2,084
Adjusted earnings per share	18.1p	(3.6)p	14.5p

14. Dividends

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

	Rate	Date	Shares in issue	**2016 £'000**	2015 £'000
Final 2013/14	5.6p	17 March 2015	14,377,130	**—**	805
Interim 2014/15	2.8p	7 August 2015	14,414,930	**—**	404
Final 2014/15	5.6p	18 March 2016	14,471,481	**810**	—
				810	1,209

No dividends have been declared in respect of the year ended 1 October 2016.

15. Goodwill

	Total £'000
Cost and gross carrying amount	
At 27 September 2014	**7,081**
Acquired through business combinations	**7,939**
At 3 October 2015	**15,020**
Acquired through business combinations	**—**
At 1 October 2016	**15,020**

	Date of acquisition	Original cost £'000
Precision Machined components		
Al-Met Limited	February 2010	272
Roota Engineering Limited	March 2014	5,117
The Quadscot Group	October 2014	3,079
Engineered Products		
Hydratron Limited	October 2010	1,692
Alternative Energy		
The Greenlane Group	October 2014	4,860
		15,020

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 Goodwill in relation to five acquisitions: Al-Met Limited, The Hydratron Group, Roota Engineering Limited, The Quadscot Group and The Greenlane 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 11.6% which equates to the Group's weighted average cost of capital. The same discount rate is used for all CGUs due to the businesses having common sources of finance and operating in very similar markets. The discount rate used has increased from the prior year due to changes in the Group structure and sources of finance.

The forecast for year one is the forecast approved by management and used within the Group, and is based on a bottom up assessment of costs and uses the known and estimated pipeline.

In the Manufacturing Divisions, the forecasts used for years two to four assume revenue growth, returning to levels achieved in 2014 by 2021 and into perpetuity, no long-term rate of growth is incorporated into perpetuity. In the Alternative Energy Division, the forecasts used for years two onwards, prudently assume no revenue growth. A perpetuity is used as a terminal value in this calculation.

15. Goodwill continued

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 in 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. At 1 October 2016, no reasonable expected change in the key assumptions would give rise to an impairment charge for any CGU. Quadscot Precision Engineers has faced the toughest market conditions and this CGU has the least headroom of any CGU in the group. A 1% point increase in discount rate would not change this assessment.

16. Intangible assets

	Licence and distribution agreement £'000	Software Licenses £'000	Technology £'000	Non contractual customer relationships £'000	Total £'000
Cost					
At 27 September 2014	1,200	—	—	7,440	8,640
Acquired through business combination	—	—	5,316	4,262	9,578
Disposed of in the period	(1,200)	—	—	—	(1,200)
At 3 October 2015	—	—	5,316	11,702	17,018
Additions	—	44	—	—	44
Acquired through business combination	—	—	—	—	—
Disposed of in the period	—	—	—	—	—
At 1 October 2016	**—**	**44**	**5,316**	**11,702**	**17,062**
Amortisation					
At 27 September 2014	393	—	—	1,287	1,680
Charge for the period	—	—	720	1,560	2,280
Disposed of in the period	(393)	—	—	—	(393)
At 3 October 2015	—	—	720	2,847	3,567
Charge for the period	—	1	703	1,462	2,166
Disposed of in the period	—	—	—	—	—
At 1 October 2016	**—**	**1**	**1,423**	**4,309**	**5,733**
Net book value					
At 1 October 2016	**—**	**43**	**3,893**	**7,393**	**11,329**
At 3 October 2015	—	—	4,596	8,855	13,451
Remaining useful economic life at 1 October 2016	—	3 years	6 years	5 years	

There are no internally generated fixed assets.

17. Property, plant and equipment

	Assets under construction £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 28 September 2014	1,229	800	9,671	11,700
Additions	608	3,434	2,260	6,302
Acquired through business combinations	—	660	1,121	1,781
Disposals	—	—	(511)	(511)
Net exchange differences	—	—	4	4
At 3 October 2015	1,837	4,894	12,545	19,276
Additions	359	75	527	961
Disposals	—	—	(204)	(204)
Impairment	—	(17)	(52)	(69)
Net exchange differences	—	—	34	34
At 1 October 2016	**2,196**	**4,952**	**12,850**	**19,998**
Depreciation				
At 27 September 2014	—	9	3,889	3,898
Charge for the period	—	57	1,313	1,370
Disposed of in the period	—	—	(340)	(340)
At 3 October 2015	—	66	4,862	4,928
Charge for the period	—	63	1,414	1,477
Disposed of in the period	—	—	(112)	(112)
Impaired in the period	—	(11)	(49)	(60)
At 1 October 2016	**—**	**118**	**6,115**	**6,233**
Net book value				
At 1 October 2016	**2,196**	**4,834**	**6,735**	**13,765**
At 3 October 2015	1,837	4,828	7,683	14,348

Included within the net book value of £13,765,000 is £828,000 (2015: £900,000) 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 £90,000 (2015: £99,000).

18. Subsidiaries

A list of 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 87.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19. Investments in associates

	£'000
At 27 September 2014	123
Investments made in the year	—
Share of profits / (losses)	(123)
As at 3 October 2015	—
Investments made in the year	—
Share of profits / (losses)	—
As at 1 October 2016	**—**

Note that the share of losses of associates as set out in the Consolidated Statement of Comprehensive Income in the prior year were set first against the investment and then against the value of other receivables from KGTM, as shown below. The remaining value of these receivables was provided against as set out in note 7.

	2016 £'000	2015 £'000
Amount of losses set against investment	**—**	123
Amount of losses set against other receivables from KGTM	**—**	28
	—	151

The group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities, are as follows:

	Country of incorporation	**Assets £'000**	**Liabilities £'000**	**Revenues £'000**	**Loss £'000**	**Interest held %**
At 3 October 2015						
Kelley GTM, LLC.	USA	578	(5,273)	793	(741)	40
At 1 October 2016						
Kelley GTM, LLC.	USA	473	(6,202)	918	(195)	40

KGTM has a year-end date of 31 December. The period for which the results of KGTM have been shown in the table above is from 4 October 2015 to 1 October 2016. The group's share of the results of KGTM are not included in the group's financial statements as the investment and loans made to KGTM are fully written down and there is no legal or constructive obligation to recognise any further losses and no further payments have been made on behalf of the associate.

The total losses recognised against the investment and other receivables from KGTM for the period were £nil (2015: £151,000) leaving unrecognised losses of £195,000 (2015: £590,000).

20. Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	**2,917**	3,825
Work in progress	**402**	3,292
Finished goods	**1,891**	297
	5,210	7,414

Included in the total net value above are gross inventories of £498,000 (2015: £1,414,000) over which provisions have been made of £498,000 (2015: £832,000).

21. Trade and other receivables

	2016 £'000	2015 £'000
Current		
Trade receivables	**7,536**	11,015
Amounts due from customers for construction contract work	**1,827**	756
Other receivables	**602**	545
Prepayments and accrued income	**1,314**	1,223
	11,279	13,539

The average credit period taken on the sale of goods and services was 47 days (2015: 79 days) in respect of the Group. One debtor individually accounted for over 10% of trade receivables and represented 26% of the total balance. In 2015, two debtors accounted for over 10% of trade receivables and both individually represented 10% of the total balance.

Ageing of past due but not impaired receivables:

	2016 £'000	2015 £'000
Days past due:		
0 – 30 days	**1,310**	1,221
31 – 60 days	**242**	539
61 – 90 days	**220**	129
91 – 120 days	**65**	77
121+ days	**389**	885
Total	**2,226**	2,851

The Group's doubtful debt provision is not a significant balance.

22. Derivative financial instruments

	2016 £'000	2015 £'000
Derivatives carried at fair value not recognised for hedge accounting		
– Forward foreign currency contracts	**—**	26
Asset	**—**	26

23. Trade and other payables

	2016 £'000	2015 £'000
Amounts due within 12 months		
Trade payables	**6,903**	3,447
Progress billings on construction contracts in excess of work completed	**931**	2,131
Other tax and social security	**301**	903
Accruals, deferred income and other payables	**3,934**	4,044
Deferred consideration	**—**	2,500
Total due within 12 months	**12,069**	13,025
Amounts due after 12 months		
Deferred consideration	**—**	3,531
Accruals, deferred income and other payables	**1,398**	1,547
Total due after 12 months	**1,398**	5,078

Deferred income due after 12 months includes grant income received and customer prepayments for contracts in delivery in a number of years. There are no unfulfilled conditions or other contingencies attached to these grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24. Borrowings

	2016 £'000	2015 £'000
Non-current		
Bank borrowings	**12,300**	10,000
Finance lease liabilities	**111**	236
	12,411	10,236
Current		
Finance lease liabilities	**242**	337
	242	337
Total borrowings	**12,653**	10,573

Bank borrowings mature in 2018 and bear average coupons of 2% above LIBOR annually.

Total borrowings include secured liabilities of £12.3 million. Bank borrowings are secured on the property, plant and equipment of the group (note 17). Obligations under finance leases are secured on the plant & machinery assets to which they relate.

The carrying amounts of the Group's borrowings are all denominated in GBP.

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

	2016 £'000	2015 £'000
Due within one year		
Finance lease liabilities	**242**	337
Due within two to five years		
Bank borrowings	**12,300**	10,000
Finance lease liabilities	**111**	236

The Group has the following undrawn borrowing facilities:

	2016 £'000	2015 £'000
Expiring beyond one year	**2,700**	5,000

The facility also includes an accordion feature option allowing for an additional facility for £10 million subject to certain conditions set out in the agreement.

25. Construction contracts

Construction contracts are accounted for in accordance with IAS 11, 'Construction Contracts' and IAS18, 'Revenue'. The position on individual contracts is held as 'Amounts due from customers for contract work' within trade and other receivables or as 'Progress billings on construction contracts in excess of work completed' within trade and other payables as applicable.

	2016 £'000	2015 £'000
Costs incurred and profit recognised to date	**16,083**	14,488
Less: Progress billings	**(15,187)**	(15,863)
Net balance sheet position for ongoing contracts	**896**	(1,375)

26. 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 24, 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.

	2016 £'000	2015 £'000
Debt	**(12,653)**	(10,573)
Cash and cash equivalents	**6,073**	3,459
Net debt	**(6,580)**	(7,114)
Equity	**34,815**	36,341

Debt is defined as long and short-term borrowings, as detailed in note 24. 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:

	2016 £'000	2015 £'000
Financial assets		
Loans and receivables:		
– Trade receivables	**7,536**	11,015
– Other receivables	**602**	545
– Cash and cash equivalents	**6,073**	3,459
Fair value through the profit and loss ("FVTPL"):		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**—**	26
	14,211	15,045

	2016 £'000	2015 £'000
Financial liabilities		
Financial liabilities – held at amortised cost		
– Trade payables	**6,903**	3,447
– Accruals	**2,792**	2,042
– Deferred consideration payable	**—**	6,031
– Borrowings	**12,653**	10,573
	22,348	22,093

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

26. 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, CAN Dollars, NZ 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, CAN Dollars, NZ Dollars, Euros and Pounds Sterling and receives payment for its products in US Dollars, CAN Dollars, NZ Dollars, Euros and Pounds Sterling. After netting off foreign currency receipts and payments, there is a net exposure to the risk of currency movements in US Dollars, CAN Dollars, NZ 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 2016 £'000	Financial assets 2015 £'000	**Financial liabilities 2016 £'000**	Financial liabilities 2015 £'000
Euro	**1,853**	1,777	**1,087**	1,834
Norwegian Krone	**—**	4	**—**	—
US Dollar	**3,563**	3,056	**2,514**	2,286
CAN Dollar	**540**	179	**653**	243
NZ Dollar	**21**	92	**71**	3,576
	5,977	5,108	**4,325**	7,939

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 2016 £'000	Euro currency impact 2015 £'000	**Norwegian Krone currency impact 2016 £'000**	Norwegian Krone currency impact 2015 £'000	**US Dollar currency impact 2016 £'000**	US Dollar currency impact 2015 £'000
Profit or loss	**70**	5	**—**	—	**95**	70

	NZ Dollar currency impact 2016 £'000	NZ Dollar currency impact 2015 £'000	**CAN Dollar currency impact 2016 £'000**	CAN Dollar currency impact 2015 £'000
Profit or loss	**5**	317	**10**	6

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.

26. 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 Group holds level 2 financial instruments as detailed below. No transfers in either direction have been made between the levels of fair value hierarchy.

Forward foreign exchange contracts – Level 2

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 1 October 2016, the Group had no contracts outstanding (2015: sell €1.000 million for £0.714 million, sell $0.400 million for £0.273 million).

Forward exchange contracts gave rise to a loss of £26,000 in the period ended 1 October 2016. The fair value of forward foreign exchange contracts at 3 October 2015 gave rise to a loss of £17,000.

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 decrease / increase of £31,000 (2015: £22,000).

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 36% (2015: 20%) 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 minimised by using counterparty banks with high credit-ratings assigned by international credit-rating agencies.

26. Financial instruments continued

Liquidity risk management

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

At 1 October 2016, the Group's liabilities have contractual maturities summarised below:

2016	**Current within 6 months £'000**	**Current 6 to 12 months £'000**	**Non-current 1 to 5 years £'000**	**Total net payable £'000**
Trade and other payables	**9,540**	**155**	**—**	**9,695**
Bank borrowings	**—**	**—**	**12,300**	**12,300**
Amounts due under hire purchase agreements	**143**	**99**	**111**	**353**
	9,683	**254**	**12,411**	**22,348**

2015	Current within 6 months £'000	Current 6 to 12 months £'000	Non-current 1 to 5 years £'000	Total net payable £'000
Trade and other payables	7,756	2,235	5,078	15,069
Bank borrowings	—	—	10,000	10,000
Amounts due under hire purchase agreements	168	169	236	573
	7,924	2,404	15,314	25,642

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

	2016 £'000	2015 £'000
Fair value through profit and loss ("FVTPL")		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**26**	17
Amounts charged to cost of sales within the consolidated statement of comprehensive income	**26**	17

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 reporting 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.

27. 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	Unused losses £'000	Total £'000
At 27 September 2014	(657)	(1,231)	32	49	65	—	(1,742)
(Charge) / credit to income	(62)	313	79	46	(65)	—	311
Acquired through business combinations	(39)	(852)	—	—	—	—	(891)
At 3 October 2015	(758)	(1,770)	111	95	—	—	(2,322)
Credit / (charge) to income	40	514	(16)	(29)	—	330	839
At 1 October 2016	**(718)**	**(1,256)**	**95**	**66**	**—**	**330**	**(1,483)**

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

	2016 £'000	2015 £'000
Non-current asset		
Deferred tax asset	**544**	270
Non-current liabilities		
Deferred tax liabilities	**(2,027)**	(2,592)
	(1,483)	(2,322)

Deferred tax is expected to be recoverable against future profits generated by the Group.

28. Called up share capital

	2016 No.	2015 No.	**2016 £'000**	2015 £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	**14,471,295**	14,414,930	**724**	721

The Company issued 56,365 ordinary shares at a price of 150p to employees exercising their rights to acquire shares under the company's SAYE scheme throughout the year. The effect of these issues has been to increase share capital by £3,000 and share premium by £81,000.

29. 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. An eighth grant of options was made in August 2016. 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 and are treated as a cancellation if the employee chooses to stop contributing. 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:

	2016 No.	**Weighted average exercise price**	2015 No.	Weighted average exercise price
Outstanding at the beginning of the period	**355,293**	**186.9p**	202,463	361p
Granted during the period	**85,440**	**150p**	282,681	161.2p
Lapsed during the period	**—**	**—**	—	—
Forfeited during the period	**(79,912)**	**189.1p**	(16,295)	520.1p
Cancelled during the period	**(59,957)**	**221.8p**	(61,439)	584.8p
Exercised during the period	**(6,551)**	**153.4p**	(52,117)	150p
Expired during the period	**(1,800)**	**150p**	—	—
Outstanding at the end of the period	**292,513**	**169.4p**	355,293	186.9p

32,067 of the outstanding options were exercisable at the end of the period. The options outstanding at 1 October 2016 had a weighted average remaining contractual life of 1.8 years (2015: 2.5 years). The terms of these options are as follows:

Date of grant	Options outstanding at 3 October 2016	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
29 July 2013	32,067	3 years	247.5	156	6 months
31 July 2014	7,765	3 years	719	593	6 months
30 July 2015	181,641	3 years	238	161.2	6 months
2 August 2016	71,040	3 years	147.5	150	6 months
Total options outstanding at 1 October 2016	**292,513**				

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

29. Share based payments continued

Pressure Technologies plc Performance Share Plan – Enterprise Management Plan

Pressure Technologies plc introduced this share option scheme in October 2009. 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 and are treated as a cancellation if the employee chooses to stop contributing.

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

	2016 No.	**Weighted average exercise price**	2015 No.	Weighted average exercise price
Outstanding at the beginning of the period	**153,156**	**210.6p**	206,156	219.0p
Granted during the period	**—**	**—**	—	—
Lapsed during the period	**—**	**—**	(53,000)	242.5p
Exercised during the period	**—**	**—**	—	—
Outstanding at the end of the period	**153,156**	**210.6p**	153,156	210.6p

All of the outstanding options were exercisable at the end of the period. The options outstanding at 1 October 2016 had a weighted average remaining contractual life of 1.3 years (2015: 2.3 years). The terms of these options are as follows:

Date of grant	Options outstanding at 1 October 2016	Vesting period	Market value at date of grant (p)	Exercise price (p)
23 February 2012	53,156	3 years	150.5	150.5
9 August 2013	100,000	3 years	242.5	242.5
Total options outstanding at 1 October 2016	**153,156**			

There are no performance conditions that apply to these options other than continued employment. The options will lapse if not exercised by five years from the date of grant. All of the options were exercisable under this scheme as at the period end.

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 three and five years following the date of grant. Options are forfeited if the employee leaves the Group before the options vest and are treated as a cancellation if the employee chooses to stop contributing.

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

	2016 No.	**Weighted average exercise price**	2015 No.	Weighted average exercise price
Outstanding at the beginning of the period	**—**	**—**	73,089	150.5p
Lapsed during the period	**—**	**—**	(73,089)	150.5p
Outstanding at the end of the period	**—**	**—**	—	—

No options were exercisable under this scheme as at the period end.

29. Share based payments continued

Pressure Technologies plc – Long Term Incentive Plan

Pressure Technologies plc introduced this share option scheme in April 2014. These options are exercisable between three and six years following the date of grant. Options are forfeited if the employee leaves the Group before the options vest, unless certain conditions are met and are treated as a cancellation if the employee chooses to stop contributing.

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

	2016 No.	**Weighted average exercise price**	2015 No.	Weighted average exercise price
Outstanding at the beginning of the period	**259,589**	**421.2p**	77,493	720.8p
Granted during the period	**410,391**	**196.2p**	232,846	354.2p
Lapsed during the period	**(23,333)**	**225p**	(50,750)	571.4p
Outstanding at the end of the period	**646,647**	**285.5p**	259,589	421.2p

None of the outstanding options were exercisable at the end of the period. The outstanding options outstanding at 1 October 2016 had a weighted average remaining contractual life of 4.9 years (2015: 5.3 years). The terms of these options are as follows:

Date of grant	Options outstanding at 1 October 2016	Vesting period	Market value at date of grant (p)	Exercise price (p)
3 April 2014	57,377	3 years	720.8	720.8
12 December 2014	90,547	3 years	473.3	473.3
25 June 2015	88,332	3 years	212	225
21 December 2015	410,391	3 years	196.2	196.2
Total options outstanding at 1 October 2016	**646,647**			

There are performance related conditions that apply to these options. The figures disclosed above show the options exercisable if all performance conditions are met. Full details of the performance conditions can be found in the report to the remuneration committee. The options lapse if not exercised six years after the grant date. No options were exercisable as at the reporting date.

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:	Long Term Incentive Plan 21/12/2015	Save-As-You-Earn 02/08/2016
Share price at date of offer	196p	148p
Exercise price	196p	150p
Expected volatility	48%	61%
Expected life	5 years	3 years
Risk free rate	1.2%	0.2%
Expected dividend yield	5.2%	5.2%

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 £311,000 (2015: £253,000). The charge is calculated in accordance with IFRS2, 'Share Based Payments'.

A deferred tax charge of £29,000 (2015: £46,000 credit) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

30. Consolidated cash flow statement

	2016 £'000	2015 £'000
(Loss) / Profit after tax	**(688)**	699
Adjustments for:		
Finance costs – net	**303**	442
Depreciation of property, plant and equipment	**1,477**	1,370
Amortisation of intangible assets	**2,166**	2,280
Share option costs	**314**	253
Income tax credit	**(1,002)**	(121)
Loss on derivative financial instruments	**26**	17
Loss / (profit) on disposal of property, plant and equipment	**8**	(10)
Exceptional charges associated with Kelley GTM	**—**	1,408
Exceptional IFRS rent adjustment release	**—**	(322)
Exceptional deferred consideration released and revaluation	**(3,289)**	(2,166)
Exceptional impairment of assets	**464**	—
Loss on investment in associate	**—**	151
Changes in working capital:		
Decrease in inventories	**1,749**	1,693
Decrease in trade and other receivables	**1,948**	5,964
Increase / (decrease) in trade and other payables	**929**	(3,733)
Cash flows from operating activities	**4,405**	7,925

31. Financial commitments

(a) Capital commitments

Commitments for capital expenditure entered into were as follows:

	2016 £'000	2015 £'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:

	2016 £'000	2015 £'000
Land and buildings:		
Within one year	**293**	302
In the second to fifth years inclusive	**936**	1,009
After more than five years	**729**	928
	1,958	2,239
Other assets:		
Within one year	**75**	69
In the second to fifth years inclusive	**92**	55
	167	124

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

- A 15 year lease for Al-Met Limited's property commenced on 10 November 2010 with rent reviews at the end of year five and year ten of the term;
- Hydratron Limited's ten year property lease commenced on 28 October 2010 and had a rent review at the end of year five; and
- A five year lease for the Group's head office commenced on 31 July 2014, at Chapeltown, Sheffield.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32. Contingent liabilities

Following the fatal accident at Chesterfield Special Cylinders ("CSC") in June 2015, whilst the police have confirmed no charges for manslaughter will be brought, the HSE investigation remains ongoing. On 1 February 2016 the Sentencing Council's new "Health and Safety Offences, Corporate Manslaughter and Food Safety and Hygiene Offences Definitive Guideline" (2016) came into force.

The guidelines set a range of fines dependent on the levels of harm and culpability. These levels are assessed by the Judge when sentencing and not at the time of charges being brought. We continue to cooperate fully with the HSE and we have engaged an independent expert to investigate the root cause of the accident. Until this investigation is complete neither CSC's legal adviser nor the HSE are in a position to assess what charges may be brought. As a result of this and the nature of the sentencing guidelines it is not possible to determine with any degree of certainty what, if any, financial penalties may be levied on CSC or any other group company as a result of this investigation. At such time as the quantum and likelihood of any penalty is able to be reliably determined further disclosure or provision will be made in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

33. 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.

During the prior year, Pressure Technologies purchased five GTMs from Kelley GTM, LLC, in which the Group owns a 40% stake. These GTMs were purchased at a cost of £391,000 with the intention of entering them into a lease fleet of GTMs in operation, in which they remain at the period end. The GTMs owned by the Pressure Technologies Group are disclosed within property, plant and equipment at their carrying value. The transaction was completed on an arm's length basis.

The Group also has loans outstanding from Kelley GTM, LLC of $3,500,000. The Directors consider that the recoverability of these loans is not certain and therefore have made full provision against the full value of the loans in the prior year.

34. Events after the reporting period

The Group entered into a key transaction after the reporting date of 1 October 2016.

On 7 December 2016, Pressure Technologies plc purchased the entire issued share capital of Martract Limited. The maximum total consideration for the Acquisition is £4.3 million on a cash free, debt free basis, comprising an initial cash consideration of £3.7 million plus cash balances ("Initial Consideration") and a conditional deferred payment of up to £0.6 million ("Additional Consideration"). The Additional consideration payable in respect of the 12 month period following the Acquisition (the "Earn-out Period") is dependent on the future EBITDA performance of Martract.

Due to the proximity of the above business combination to the reporting date, the initial accounting for these transactions has still to be completed, and consequently details of the amounts of assets and liabilities acquired and fair value of contingent consideration are not disclosed within these financial statements.

COMPANY BALANCE SHEET

As at 1 October 2016

	Notes	**2016 £'000**	2015 £'000
Fixed assets			
Investments	4	**36,430**	36,213
Intangible fixed assets	5	**42**	—
Tangible fixed assets	6	**3,640**	3,700
		40,112	39,913
Current assets			
Debtors	7	**13,575**	12,653
Cash at bank and in hand		**57**	359
		13,632	13,012
Creditors: amounts falling due within one year	8	**(607)**	(4,325)
Net current assets / (liabilities)		**13,025**	8,687
Creditors: amounts falling due after more than one year	8	**(12,369)**	(13,346)
Net assets		**40,768**	35,254
Capital and reserves			
Called up share capital	10	**724**	721
Share premium account	12	**21,620**	21,539
Profit and loss account	12	**18,424**	12,994
Equity shareholders' funds		**40,768**	35,254

The accounting policies and notes on pages 83 to 90 form part of these financial statements.

Approved by the Board on 12 December 2016 and signed on its behalf by:

Joanna Allen
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the 52 week period ended 1 October 2016

	Notes	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 27 September 2014		718	21,463	8,554	30,735
Dividends		—	—	(1,209)	(1,209)
Share based payments		—	—	23	23
Share options granted to subsidiary companies		—	—	230	230
Shares issued		3	76	—	79
Transactions with owners		3	76	(956)	(877)
Profit for the period		—	—	5,396	5,396
Balance at 3 October 2015		721	21,539	12,994	35,254
Dividends		—	—	(810)	(810)
Share based payments		—	—	99	99
Share options granted to subsidiary companies				217	217
Shares issued		3	81	—	84
Transactions with owners		3	81	(494)	(410)
Profit for the period		—	—	5,924	5,924
Balance at 1 October 2016		**724**	**21,620**	**18,424**	**40,768**

The accounting policies and notes on pages 83 to 90 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies
Statement of compliance
These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

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 £5,924,000 (2015: £5,396,000) after applying a tax charge (note 10) of £nil (2015: charge £97,000) to the profit before tax of £5,924,000 (2015: £5,493,000).

Changes in accounting policies
This is the first year in which the financial statements have been prepared in accordance with FRS 101. The date of transition to FRS 101 is 28 September 2014. An explanation of the transition is included in note 18 to the financial statements. In applying FRS 101 for the first time the Company has applied early the amendment to FRS 101 which permits a first time adopter not to present an opening statement of financial position at the beginning of the earliest comparative period presented.

Going concern
The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. The principal risks and uncertainties are set out from page 28. The Financial Reporting council issued "Guidance on the Going Concern based of Accounting and Reporting on solvency and Liquidity risks" in 2016. The Directors have considered this when preparing these financial statements.

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 2016/2017 and beyond and that the Group has sufficient cash reserves and bank facilities to enable it 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.

Disclosure exemptions adopted
In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

1. A statement of cash flows and related notes
2. the requirement to produce a balance sheet at the beginning of the earliest comparative period
3. the requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
4. Presentation of comparative reconciliations for property, plant and equipment
5. Capital management disclosures
6. Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
7. The effect of future accounting standards not adopted
8. Certain share based payment disclosures

Investments
Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any applicable provision for impairment. Contingent consideration classified as an asset or liability is subsequently remeasured through profit or loss.

Intangible assets
Intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Cost reflects purchase price of the asset together with any incidental costs of bringing the asset into use. Residual values and useful lives are reviewed at each reporting date.

The following useful lives are applied:

Software – 3 years

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

1. Accounting policies continued

Tangible assets

Property, plant and equipment ("PPE") is initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management.

PPE is subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised on a straight-line basis (unless otherwise stated) to write down the cost less estimated residual value of PPE. The following useful lives are applied:

Plant and machinery	3-4 years
Buildings	50 years
Computer equipment	3 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

Finance leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

All other leases are treated as operating leases.

Post-employment benefit plans

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset. Unpaid contributions are reflected as a liability.

1. Accounting policies continued

Share based payments

Where equity settled share options are awarded to employees of this Company the fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry in the profit and loss account. The fair value of awards made with market performance conditions has been measured by a Black-Scholes model.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Equity, reserves and dividend payments

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity. Transaction costs on the issue of shares are deducted from the share premium account arising on that issue. Dividends on the Company's ordinary shares are recognised directly in equity.

Interim dividends are recognised when they are paid. A liability for unpaid dividends is recognised when the dividends have been approved in a general meeting prior to the reporting date.

Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Calculation of deferred tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period that are expected to apply when the asset is realised or the liability is settled.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover the related asset or settle the related obligation.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax assets are not discounted.

Deferred tax liabilities are generally recognised in full with the exception of the following:

- On the initial recognition of a transaction that is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Deferred tax liabilities are not discounted.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

2. Employees

Average weekly number of employees, including Executive Directors:

	2016 Number	2015 Number
Administration	**12**	9

Staff costs, including Directors:

	2016 £'000	2015 £'000
Wages and salaries	**1,065**	821
Social security costs	**128**	127
Other pension costs	**116**	105
Share based payments	**88**	23
	1,397	1,076

Further details of Directors' remuneration are provided in the Report of the Remuneration Committee.

3. Operating profit

The Auditor's remuneration for the audit and other services is disclosed in note 9 to the consolidated financial statements.

4. Investments in subsidiary companies

	Investment in subsidiary companies £'000
Cost and net book value	
At 3 October 2015	36,213
Investments made in the year	—
Share options granted to subsidiary company employees	217
At 1 October 2016	**36,430**

Included in the cost and net book value at 3 October 2015 is £4,860,000 relating to the acquisition of Greenlane that was previously disclosed as Goodwill. As part of the FRS 101 transition the Directors have reviewed the substance of the transaction and have concluded that classification as an investment is more appropriate. There has been no effect to profit and loss from this reclassification.

4. Investments in subsidiary companies continued

The subsidiaries as at the balance sheet date, which are all 100% owned, are:

Name	Country of incorporation	Principal activity
Al-Met Limited	England & Wales	Manufacturing
Greenlane Biogas UK Limited ("GBUK")	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
Roota Engineering Limited	England & Wales	Manufacturing
Pressure Technologies US, Inc	USA	Holding company
Quadscot Precision Engineers Limited*	Scotland	Manufacturing
Quadscot Holdings Limited	Scotland	Holding company
Greenlane Biogas Europe Limited*	England & Wales	Manufacturing
PT Biogas Holdings Limited	England & Wales	Holding company
PT Biogas Technology Limited*	England & Wales	Research and development
Greenlane Technologies New Zealand*	New Zealand	Manufacturing
Greenlane Biogas North America*	Canada	Manufacturing
Chesterfield Tube Company Limited	England & Wales	Dormant
Chesterfield Pressure Systems Group Limited	England & Wales	Dormant
Chesterfield Cylinders Limited	England & Wales	Dormant

* Indirectly held subsidiaries

The Company also has an indirect holding of 40% in Kelley GTM, LLC, a manufacturing company based in the USA.

5. Intangible fixed assets

	Software £'000
Cost	
At 3 October 2015	—
Additions	43
At 1 October 2016	**43**
Depreciation	
At 3 October 2015	—
Charge for the period	1
At 1 October 2016	**1**
Net book value	
At 1 October 2016	**42**
At 3 October 2015	—

6. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost				
At 3 October 2015	3,355	442	—	3,797
Additions	—	—	42	42
At 1 October 2016	**3,355**	**442**	**42**	**3,839**
Depreciation				
At 3 October 2015	10	87	—	97
Charge for the period	10	91	1	102
At 1 October 2016	**20**	**178**	**1**	**199**
Net book value				
At 1 October 2016	**3,335**	**264**	**41**	**3,640**
At 3 October 2015	3,345	355	—	3,700

Land and buildings relate to the Meadowhall Road site, which is leased to other Group companies. The Meadowhall Road site is recorded at costs less depreciation.

7. Debtors

	2016 £'000	2015 £'000
Amounts: falling due within one year		
Prepayments and accrued income	**138**	198
Other debtors	**92**	108
Amounts owed by Group companies	**13,324**	12,326
Deferred tax (note 11)	**21**	21
	13,575	12,653

8. Creditors

	2016 £'000	2015 £'000
Amounts: falling due within one year		
Trade creditors	**99**	62
Other tax and social security	**42**	89
Amounts owed by Group companies	**—**	1,285
Accruals and deferred income	**329**	424
Corporation tax	**120**	97
Deferred consideration	**—**	2,368
Amounts due on hire purchase contracts	**17**	—
	607	4,325

	2016 £'000	2015 £'000
Amounts: falling due after one year		
Deferred consideration	**—**	3,346
Amounts owed by Group companies	**—**	—
Bank loan	**12,300**	10,000
Amounts due on hire purchase contracts	**69**	—
	12,369	13,346

Details of bank borrowings are set out in note 24 to the consolidated financial statements.

9. Taxation

	2016 £'000	2015 £'000
Current tax		
Current tax expense	**—**	—
Under provision in respect of prior years	**—**	97
	—	97
Deferred tax		
Origination and reversal of temporary differences	**—**	—
Total taxation charge	**—**	97

Corporation tax is calculated at 20% (2015: 20.5%) of the estimated assessable profit for the period. Deferred tax is calculated at 17% (2015: 20%).

10. Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in note 28 to the consolidated financial statements.

11. Deferred tax

	2016 £'000	2015 £'000
Opening balance for the period	**21**	21
Credit for the period	**—**	—
Closing balance for the period	**21**	21

The provision for the deferred taxation asset is made up as follows:

	2016 £'000	2015 £'000
Cost of share options	**30**	25
Accelerated capital allowance	**(9)**	(4)
	21	21

12. Reserves

	Share premium account 2016 £'000	**Profit and loss account 2016 £'000**	Share premium account 2015 £'000	Profit and loss account 2015 £'000
At beginning of period	**21,539**	**12,994**	21,463	8,554
Profit for the financial period	**—**	**5,924**	—	5,396
Share option cost	**—**	**99**	—	23
Share options granted to subsidiary employees	**—**	**217**	—	230
Shares issued	**81**	**—**	76	—
Dividends	**—**	**(810)**	—	(1,209)
At end of period	**21,620**	**18,424**	21,539	12,994

See note 28 in the Group financial statements for details of the movements on share capital and share premium in the year.

13. Related party transactions

As permitted by FRS 101 related party transactions with wholly owned members of the Pressure Technologies plc group have not been disclosed.

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

For details on other related party transactions, see note 33 in the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

14. Ultimate controlling party
The Directors consider that there is no ultimate controlling party.

15. Transition to FRS 101
The Company has adopted FRS 101 for the first time having previously applied UK GAAP that was effective before periods commencing on or after 1 January 2015. The date of transition to FRS 101 was 28 September 2014. The Company has restated its comparatives for the year ended 3 October 2015.

15.1 Transition to FRS 101 – reconciliations

Restated Company statement of financial position	**3 October 2015 £'000**	28 September 2014 £'000
Shareholders' funds under previous UK GAAP	**32,857**	30,735
Effect of changes to (see below):		
1) Goodwill	**648**	—
2) Investments	**1,749**	—
Sub-total – conversion adjustments	**2,397**	—
Restated shareholders' funds	**35,254**	30,735

Restated profit for the 53 weeks ended 3 October 2015	**53 weeks ended 3 October 2015 £'000**
Original profit for the financial year	**2,999**
Effect of changes to (see below):	
1) Goodwill	**648**
2) Investments	**1,749**
Sub-total – conversion adjustments	**2,397**
Restated profit for the financial year	**5,396**

15.2 Explanation of changes
1) Goodwill

Under previous UK GAAP goodwill was amortised to profit or loss over its expected useful life of 7.5 years.

Under FRS 101 goodwill is not amortised but is instead subject to an annual impairment review. Subsequently this Goodwill has been reclassified as an investment, see note 4 for further details.

2) Investments

Under previous UK GAAP contingent consideration adjustments were adjusted against the cost of the investment.

Under FRS 101 there is an accounting policy choice and the Directors have concluded that contingent consideration adjustments are recognised in the Profit and Loss Account.

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