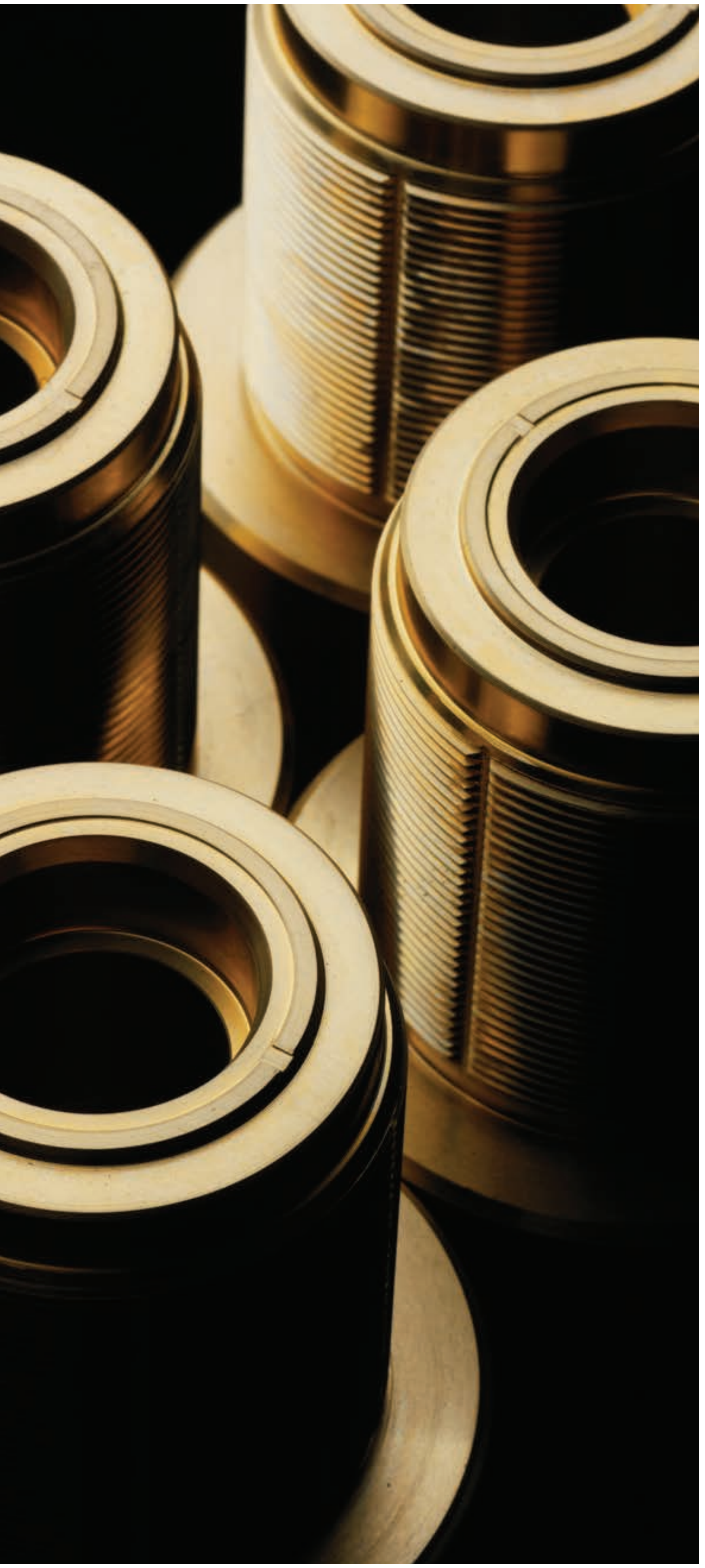
A leading designer and manufacturer of engineering solutions for high pressure markets

Pressure Technologies plc
Annual Report 2011



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

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

Financial Highlights

- Revenue of £23.1 million (2010: £21.7 million)
- Operating profit at £0.7 million (2010: £3.5 million)
- Pre-tax profit of £0.6 million (2010: £3.5 million)
- Basic earnings per share 3.5p (2010: 22.3p)
- Year end net funds, after acquisition of the Hydratron Group of Companies, £2.9 million (2010: £6.5 million)
- Proposed final dividend of 4.8p per share (2010: 4.8p), giving a total dividend of 7.2p per share (2010: 7.2p)

Business Highlights

- Sound balance sheet maintained and cash management strong
- Dividend maintained as Group remains confident in future outlook
- Year impacted by low demand for deepwater oil and gas platforms in Cylinder division but recovery underway and demand trough behind us
- Successful acquisition of Hydratron strengthens Engineered Products division and continues diversification strategy
- Forward order books in Cylinder and Engineered Products divisions growing strongly

Group Structure

A leading designer and manufacturer of high pressure engineering systems, serving the global energy, defence and industrial gases markets.

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

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

Oil and Gas

Chesterfield Special Cylinders / Engineered Products

£15.4m
(2010: £13.8m)
Sales

67%
(2010: 64%)
% of Group Revenue

By far the largest market sector for the Group, Oil and Gas is, and will remain, the focus for development and acquisitions. The market for hydrocarbons is here to stay and even if there is an unlikely reduction in their use as a fuel, the myriad of industrial uses means that this will be an important market for decades to come.

Chesterfield Special Cylinders ("CSC") supplies air pressure vessels for deep-water oil rig and drillship market. This market was weak in 2011 but, with major rig-build projects underway, significant new orders have been received in recent months. CSC has a reputation for design and development capability and we are also able to offer in-situ inspection services that give reductions in cost and time for statutory retest.

The Engineered Products division supplies a wide range of products into this sector. Al-Met is focused on the supply of wear parts for the control of fluid flow in highly demanding applications. Hydratron supplies a range of pumps, boosters, test benches and control panels. The products of the division are used across the whole of the Oil and Gas market.

Defence

Chesterfield Special Cylinders / Engineered Products

£4.5m
(2010: £4.1m)
Sales

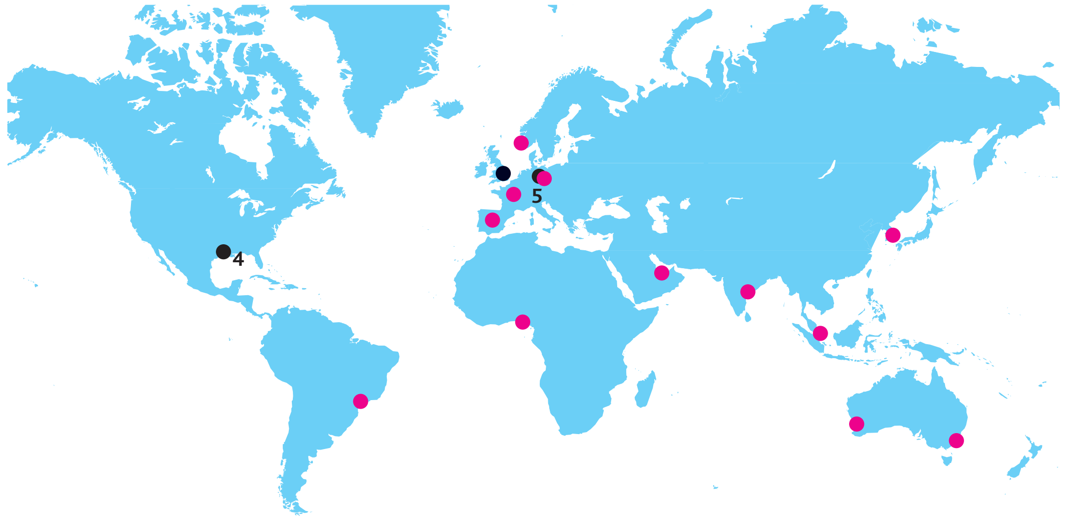
19%
(2010: 19%)
% of Group Revenue

The Group supplies the UK and International Naval and Aerospace markets. Our largest market in this sector is in the supply of ultra-large cylinders into the Naval market where we have a world-wide reputation for our expertise. We also supply small steel cylinders into the military aerospace sector and our Engineered Products division has had some success in supplying test equipment into the UK defence sector, a position on which we hope to build.

The Naval market was exceptionally strong in 2011, with major projects supplied for submarine building in the UK, France and Spain. CSC also won the contract to maintain the Royal Navy's strategic spares. 2012 will be a lower sales year due to the phasing of projects but there are already significant orders for 2013.

The defence aerospace market has been affected by government spending cuts but this does not have a major impact on Group profitability. Increasing technical requirements are being demanded in this market and PT has invested long term in the development of a lightweight composite cylinder for the next generation of military aircraft.

Manufacturing, sales and distribution



Key

- Agents and distributers
- Manufacturing and sales

1. Head Office
   Chesterfield Special Cylinders
   Chesterfield BioGas
2. Hydratron Ltd
3. Al-Met
4. Hydratron Inc
5. GSC German Sales Office

Industrial Gases

Chesterfield Special Cylinders

£2.3m
(2010: £3.1m)
Sales

10%
(2010: 14%)
% of Group Revenue

The industrial gases market has been an important market for the Cylinder division for over 100 years. A diverse range of products and services is supplied, ranging from bulk gas storage for large industrial applications to the reconditioning and retest of cylinders and trailers.

The key to winning business in this market is having a comprehensive network of sales staff and agents to identify projects as they arise. 2011 was a weak year for demand but an improvement is evident in 2012, with two bulk storage projects already in the order books.

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 for this market sector and also provides a "one stop shop" management of reconditioning and retest of cylinders. Further opportunities will arise as Hydrogen and Compressed Natural Gas demand increases.

As with the Oil and Gas market, these areas are also able to offer an in-situ test service and our first contracts were performed in this market in 2011 with further growth expected in 2012.

Alternative Energy

Chesterfield BioGas / Chesterfield Special Cylinders

£0.9m
(2010: £0.7m)
Sales

4%
(2010: 3%)
% of Group Turnover

The Group provides a range of equipment for the upgrade of biogas to biomethane for injection into the gas grid and compressed natural gas ("CNG") vehicle refuelling stations through Chesterfield BioGas ("CBG").

In September 2010, we installed the UK's first biogas upgrader supplying biomethane to the national gas grid at a Thames Water site at Didcot. In the intervening period the market has been slow to develop due to the late confirmation of the level of the Renewable Heat Incentive which allows the technology to compete on a level playing field with subsidised combined heat and power plants.

The level of interest from large utilities remains high and we expect market growth in the near term. CBG has strengthened its position in this market sector by extending in perpetuity its exclusive licence agreement to sell and manufacture Greenlane® Biogas upgraders in the UK and Eire.

Cross divisional collaboration is used in the provision of refuelling systems where CSC provides CBG with bulk CNG storage for filling stations and high pressure trailers for transportation of CNG.

Achieving our goal through a clear business strategy

Goal

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

The key elements of the strategy to deliver this are:

Building a Balanced Group

Acquisitions are required to spread the commercial risk of the Group and to accelerate our rate of growth.

We have very clear criteria for acquisitions:

- Acquisition targets will be in niche areas of pressure containment or control
- They will have significant growth prospects
- Stable management teams capable of delivering growth
- Overlapping core skills and/or customers with existing group companies to minimise technology and market risks

Expanding Product Portfolio

The group has significant organic growth opportunities as its core markets grow. Our sales teams are actively pursuing this growth. However, there is still a need to develop the next generation of products and services to ensure the long-term future of the Group's businesses. Our engineers, technicians and designers are working on a range of innovative products and services.

On-going developments:

- In-situ testing of cylinder assemblies to reduce the cost and time taken to retest cylinders in large static applications and trailers
- Development of light-weight composite cylinders for aerospace applications
- New high-pressure trailer designs to maximise payload and minimise through life costs
- Extending the pressure range of Hydratron's DHDA pumps to support the ever higher pressures required in the Oil and Gas market

Investing in Technology

Ever increasing quality and safety standards and the requirement to produce product efficiently requires good manufacturing technology. The Group is well invested in manufacturing technology but there is always a continuing requirement to invest in newer and better technology.

Recent investments include:

- State of the art cleaning technology which meets the world's most exacting standards for cylinder system assemblies
- Investment in advanced metrology and CMM equipment
- Electro-discharge machining to give fine tolerance control of the manufacture of complex wear parts
- Expansion in the size range of wear parts through the purchase of larger machining centres

Investing in People

Our businesses rely on skilled, well trained and motivated employees. Some of the skills in the Group are highly specific to our industries and there is only a handful of people world-wide with similar skills. We therefore place huge emphasis on getting the right people into the business, training them and retaining them.

The key elements of this are:

- Developing the people we need through apprenticeships, sponsored degree and post graduate studying
- Multi-skilling that makes our employees more flexible and their work interesting and rewarding
- Having, as far as is possible, common terms and conditions of employment across the Group
- Giving employees a share in the success of the Group through bonus and SAYE schemes

Partnerships

Working with other specialist companies we are able to reduce the costs of development and speed up time to market of products and services.

The Group has formed a number of strategic partnerships, these include:

- Using local universities and specialist research organisations to advise on and undertake development of materials and processes
- Developing close working relationships with key suppliers and customers which allow a better and quicker use of new technologies and designs
- Licensing technology from market leading companies to expand our product range and service offerings rapidly and with reduced risks

Chairman's Statement

Richard Shacklady, **Chairman**

Our Business Growth Strategy remains the same, namely to penetrate select growth sectors with clear synergies to our core businesses, either organically or by acquisition, and provide niche, technology driven, high margin products for critical applications.

Our confidence in the Group's prospects and financial position is reflected in the Board's dividend policy.

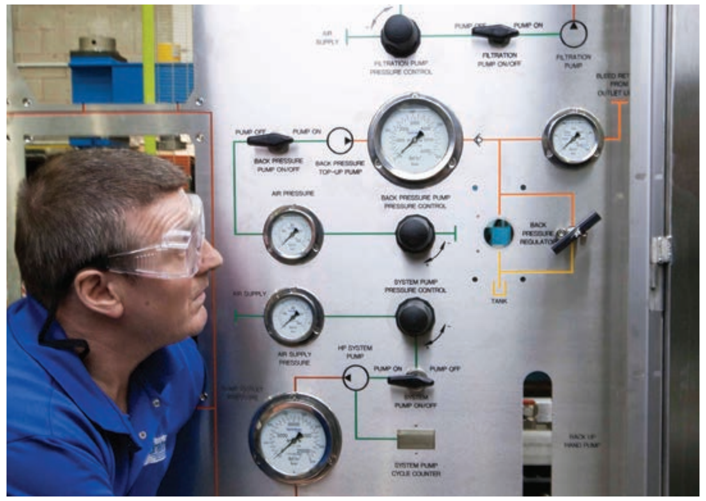
It is disappointing to confirm that the Group's results for the full year have, as announced on 21 October 2011, fallen substantially below market expectations. I am pleased, however, to report that the much delayed recovery in equipment ordering for the deepwater offshore oil and gas drilling sector is now underway and there was a notable acceleration of firm orders at Chesterfield Special Cylinders ("CSC") in the second half of the year. Demand for oilfield wellhead components and equipment from our Engineered Products division also remains buoyant and this is underpinned by heavy investment in the US oil and gas sector. The delayed announcement of the Renewable Heat Incentive had a knock-on effect on orders at our Alternative Energy business, Chesterfield BioGas ("CBG"). CBG has a number of major quotations at an advanced stage, which we believe will be converted to firm contracts during this financial year for delivery over 2012 and 2013.

Results

Revenue for the year ended 1 October 2011 increased to £23.1 million from £21.7 million in 2010. Operating profit, however, reduced from £3.5 million in the previous year to £0.65 million. The Group continued to invest in new products and processes throughout the year, incurring £2.2 million of capital expenditure to support the long term development of the business.

Profit before taxation was £0.6 million (2010: £3.5 million), giving basic earnings per share of 3.5p (2010: 22.3p).

Our strong balance sheet has been maintained by a continued focus on working capital controls across all the Group's businesses. Net cash at 1 October 2011 was £2.9 million (2010: £6.5 million) reflecting investments of £5.0 million (net) during the year in acquiring Hydratron and the capital expenditure mentioned above. The Group remains in a sound position to fund organic development and business growth programmes from internal cash flow.



Hydratron

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

Highlights

- Purchased 15 October 2010 for £3.3 million of which £0.8 million deferred to 2012
- First half constrained by planned relocation of UK part of business onto one integrated site
- Second half performance excellent
- US subsidiary making good progress in Houston market
- Commercial team strengthened and prospects for short, medium and long term are exciting
- Objective remains to double the size of the business by 2015

Given our strong balance sheet and confidence in the medium term prospects for the Group, borne out by the strong inflow of orders experienced in recent months, the Board is proposing a final dividend of 4.8 pence per share, giving a total of 7.2 pence per share for the financial year, which is unchanged from the previous year. If approved, this will be paid on 9 March 2012 to shareholders on the register at the close of business on 17 February 2012. The ex-dividend date will be 15 February 2012.

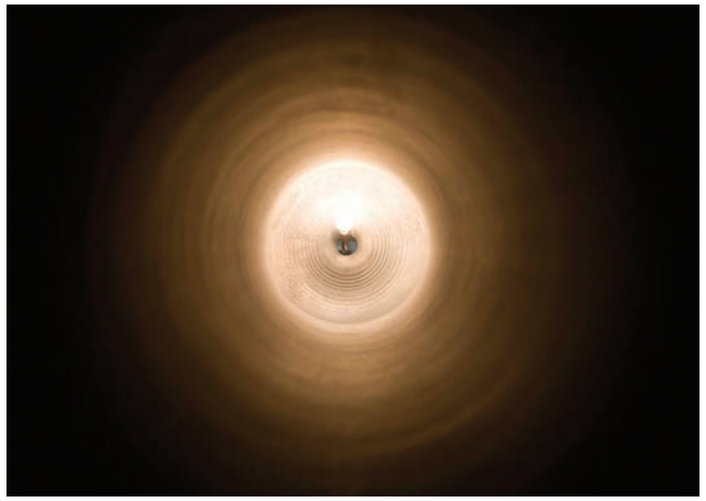
Strategy and Markets

Our Business Growth Strategy remains the same, namely to penetrate select growth sectors with clear synergies to our core businesses, either organically or by acquisition, and provide niche, technology driven, high margin products for critical applications.

We believe that the best prospects for the Group lie in the global energy markets. Over the medium and long term, the global demand for energy is forecast to grow to the point that triggers shortages in hydrocarbon fuels. We have significant interests in two sectors of this market, deepwater oil and gas drilling equipment and oilfield wellhead equipment and we continue to actively review further strategic acquisitions.

We remain committed to the naval defence market, particularly submarine, in which we have a strong international presence across Europe, the Far East, Asia, North and South America. We have long-established, market leading products and technology in this sensitive, high integrity market and continue to benefit from both original equipment sales and aftermarket spares and support.

Our capability in the industrial gases storage and transportation market has been further strengthened and enhanced as we have demonstrated our ability to design and build fully finished trailers, storage and dispensing facilities. CNG and Hydrogen are increasingly recognised as alternatives to traditional fuels and we believe our involvement in these sectors has considerable potential.



Value Added Service

The ability to carry out in-situ statutory inspection of large fixed cylinder installations gives significant cost and time savings to CSC's customers.

The potential for CNG derived from biogas, either as a vehicle fuel or as a supplementary source of natural gas (known as BtG - biomethane to grid), affords the Group the prospect of participation in a major alternative energy market. In the UK, natural gas is a major energy import, often sourced from politically unstable parts of the world. During the year, we have strengthened our position in this market by extending our licence from Greenlane® to market and manufacture biogas upgrade process plants. Greenlane® is recognised as the international market leader in biogas upgrade technology with equipment installed and operating worldwide.

The Board continues to believe that investment in new products and processes at the high end of technology is fundamental to the future growth of the business. To this end, we continue to prioritise and fund R&D programmes that will, we believe, provide opportunities for growth using our unique engineering capabilities.

People
The Group Board continues to play a full role in the development of the Group. The brief of the Audit Committee has been extended and it has been renamed the Audit and Risk Committee, recognising the importance of the additional duties placed on the Group by legislation such as the Bribery Act. I feel it is worth noting that the never ending flow of regulation by Government is increasing the burden of corporate governance, particularly on smaller business and, at times, can be a significant distraction to the primary task of running the business.

The Group recognises the importance of the skills and knowledge base of its employees, many in specialised disciplines. We have continued to invest in our employees, recruiting apprentices and investing in structured training programmes, up to and including post graduate training, to ensure that these skills and knowledge are maintained and transferred to the next generation.

Once again it is appropriate to acknowledge the dedication of our operational Directors and the skill, commitment and flexibility of all our employees, perhaps best exemplified by the high level of attendance at work throughout the periods of most severe weather last winter.

Prospects
The Group enters the new financial year with order books across its Cylinder and Engineered Products businesses filling. Overall, our order book has increased by 50% in the past six months and now stretches well into 2012. We have not seen this level of activity in these markets since 2008/09. Activity in the global oil and gas industry has returned and shows no sign of waning and we expect this momentum to stretch into 2013 for long lead time products, notably our ultra-large cylinders for the deep water drilling market.

Further growth is anticipated in our Engineered Products division, particularly in the North American market where we have secured a significant foothold. These businesses have been strengthened through the reorganisation we implemented in 2011 and we are now better positioned to exploit the opportunities available to us.

The coming year will be a critical for the Group's alternative energy business, Chesterfield BioGas; a number of major quotations are expected to be converted into firm contracts for delivery towards the latter end of 2012 and into 2013.

The Group is now well along the path of transforming itself, both organically and through strategic acquisition, into being a better balanced business with long term growth prospects in niche market sectors. We are exploring further acquisition opportunities and anticipate the transformation of the Group to stretch across the next 12-18 months with the benefits starting to show in the current financial year.

I would like to thank all the Group's shareholders for their continued support throughout the difficult and testing period from which, I believe, we are now emerging.

Our confidence in the Group's prospects and financial position is reflected in the Board's dividend policy and we remain confident that the Group has the ability to adapt to changes in market conditions and profitably exploit the opportunities which arise.

Richard L. Shacklady
Chairman
6 December 2011

Chief Executive's Statement

John Hayward, **Chief Executive**

2011 was another tough year for the Group with the strong performance of the acquisitions in our Engineered Products division lessening the effects of slow market growth in CSC and CBG. We expect to see good growth in Engineered Products in 2012 and the return to growth in Cylinders accelerating into 2013.

The Group's strong balance sheet and cash provide a sound platform from which to move forward.

The year for the Group was one of contrasts; the correct trends in markets were identified in our Cylinder and Alternative Energy divisions but the timing of growth in these markets was much later than we led to be expected. By contrast, the acquisitions we made in our Engineered Products division performed well against our original expectations.

The financial results, in terms of sales and profits, were deeply disappointing as a lack of market visibility for large contracts and over optimism led to poor forecasting and a succession of profit downgrades. On a positive note, the balance sheet remains robust with solid cash reserves to support the dividend and our future plans.

The key points for the year are:

Cylinders

	2011 £m	2010 £m
Sales	**11.0**	19.1
Operating Profits	**1.4**	4.8
Assets	**10.7**	11.7

Chesterfield Special Cylinders ("CSC") continued to be affected by the downturn in its principal market in deepwater oil and gas, where we supply air pressure vessels ("APVs") for rigs and drillships. As anticipated, this market has started to recover as global requirements for new sources of hydrocarbons increases. Market confidence, which was destroyed by the BP Macondo incident in the Gulf of Mexico, has returned and we have seen a recent upturn in both forecasted projects and orders received. This improvement came too late to have a positive impact on 2011 but, for 2012, we already have orders for APVs for six drillships, compared to three supplied in the whole of 2011 financial year. The major driver is, as expected, the Brazilian market.

Market dynamics have changed and pricing has increasingly become a critical issue for customers. This has had an impact on margins in this sector. Having gathered valuable customer feedback, the Board is of the opinion that CSC has maintained its technical lead in engineering capability, particularly in system design and product cleaning and CSC has seen a return of some of the work previously lost to low cost competitors for the more difficult to manufacture APVs.

The naval defence market experienced strong sales in 2011 but these will be lower in 2012 due to phasing of projects. Major projects are already in the order book for the 2013 financial year and there is a strong pipeline of potential projects. CSC has continued to make headway developing new markets and a major contract to supply cylinders for submarines for Brazil was awarded to CSC by DCN for supply in 2012 and 2013. A five year contract to manage the Royal Navy's strategic reserve of cylinders has also been awarded to CSC.

There was no upturn in the external market for new high pressure trailers but a compressed natural gas ("CNG") trailer was built for Chesterfield BioGas and a hydrogen trailer to support the trailer refurbishment business. We now have a full range of designs for trailers and a fully developed supply chain for manufacture. Trailer refurbishment continued to progress and was boosted by our ability to inspect cylinders in-situ (see below). We expect further progress in this market in 2012. Beyond 2012, the development of alternative fuels will lead to an increasing market for the bulk storage and transportation of CNG and Hydrogen. In 2011, CSC provided the bulk storage for two CNG filling station projects for Chesterfield BioGas.

The small cylinder market remains affected by cuts in military aerospace spending but work continues on the long-term project to develop the next generation of type IV composites for the aerospace and SCBA markets.

Defence

Pressure Technologies, through CSC has a worldwide reputation for expertise in cylinders for naval applications. Expansion of the customer base in recent years has turned what was a UK centric business into a major player in the world market. In 2011, cylinders were supplied to projects in the UK, France, Spain and Canada.

As our customers' designs are now being exported, we are experiencing follow on orders for supply to countries such as Brazil and India.

Whilst increasing orders are a good thing, the phasing of deadlines is such that there are wide swings in sales revenue between years. To counteract this, we are focused on expanding our customer base to encompass all major western defence contractors.

The immediate priority is to strengthen the Engineered Products division. This will be centred on Hydratron and we are actively looking for businesses that extend Hydratron's geographical presence or give vertical integration within the supply chain. The expansion of this division will further reduce the effects of the volatility of the Cylinder division on Group results.

Oil and Gas

With growth returning to deepwater oil rig and drillship construction, CSC is now passed the trough in its principal market which affected the 2011 results.

Serving a much wider part of the market, Engineered Products experienced solid growth in 2011.

For both divisions, 2012 promises further progress as experienced by recent order intake.

CSC was successful in developing a British Standard for the in-situ testing of ultra-large cylinders. This led to work in the UK, Singapore and Kazakhstan in 2011 and further projects both home and overseas are already in the order book for 2012. This is an exciting development and has also led to additional new cylinder contracts including a large helium installation for 2012 worth over £1 million.

As announced last year, a lean manufacturing programme was started in 2011 and manufacturing headcount was reduced by 16% to 38 operatives from 45 as part of a productivity improvement programme. No significant increase in headcount is planned as the business grows but we have employed a further three apprentices at the start of 2012 as part of our business continuity plan.

To support productivity and quality improvements CSC spent £0.5 million on capital projects in 2011. The start of the 2012 financial year saw the commencement of an activity based review of staff functions and an immediate headcount reduction from 27 to 25 was made. The business is high fixed cost because we carry a large engineering and technical overhead, which is an order winner. We therefore do not expect significant further cuts in staff numbers but neither do we foresee large increases as the order book recovers. Projects are underway to improve gross margins and cut administration costs during 2012. Capital investment will be centred around our forging process to reduce our reliance on subcontract cylinder forging.

There is a buzz around CSC's markets which has not been evident for some time. We have strengthened our sales presence in Germany where we have traditionally been weak by employing the sales manager from one of our European competitors. Subject to current economic issues in Europe not getting out of control, we are confident that the second half of 2012 will deliver an improvement in the Cylinder business which will continue into 2013. This confidence is supported by the order book which, at the end of 2011, was over £12 million, compared to under £10 million one year earlier and there continues to be a strong pipeline of open quotations and tenders.

Al-Met

Al-Met delivered record sales and profits in its first full year with the Group.

Engineered Products division

	2011 £m	2010 £m
Sales	**11.2**	2.0
Operating Profits (before acquisition costs)	**1.1**	—
Assets	**10.0**	3.4

The division was formed by the purchase of Al-Met in February 2010 and Hydratron in October 2011 and the two businesses have performed well.

Al-Met's products are used in high-pressure choke and flow control valves, designed to regulate flow volumes in extremely demanding applications in the subsea and surface oil and gas industries. Its ability to combine high alloy steels with tungsten carbide inserts and specialised coatings gives Al-Met its niche position with its customers, global wellhead and subsea equipment OEMs. Al-Met had record sales and profits in 2011 as a result of an upturn in its core markets. Investment of £0.3 million was made to extend the size range and complexity of products.

Hydratron designs, manufactures and sells a range of air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs. The business was established in 1981 and is a leading supplier of quality high pressure equipment to the oil and gas industries worldwide. The business operates out of a modern manufacturing unit in Altrincham in the UK and a similarly modern but smaller facility in Houston, Texas. The UK part of Hydratron moved into its current facilities immediately after the acquisition and the first half year was impacted by the effects of this planned move. Second half performance was excellent and order books and prospects are also excellent.

Both businesses are in markets where on time, in full delivery is poor. Investment has been made in production systems at both Al-Met and Hydratron with the aim of reaching automotive industry standards on deliveries to take market share from competitors. These are markets where significant growth is forecast. For Hydratron, this growth is already apparent. Industry forecasts for Al-Met predict sales at current levels for 2012 but significant growth in 2013 and 2014. The commercial functions in both businesses have been increased to ensure that we are maximising sales opportunities and we look for significant progress in the division over the short to medium term.

Partnership in Action

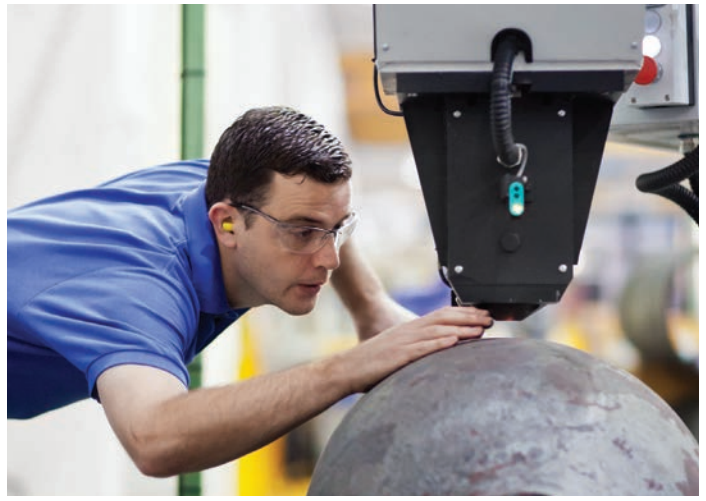
Chesterfield BioGas' close working relationship with Greenlane® Biogas allows the Group to offer low risk proven technology into the Biomethane to Grid market.

Alternative Energy

	2011 £m	2010 £m
Sales	**0.9**	0.7
Operating losses	**(0.5)**	(0.3)
Assets	**1.7**	1.3

This was a frustrating year for Chesterfield BioGas ("CBG"), our start-up alternative energy equipment business. As with CSC, delay in market growth was the over-riding issue. The principal target market for CBG is the supply of upgrading equipment to clean biogas produced from organic waste to produce biomethane suitable for injection into the natural gas grid (Biomethane to Grid, "BtG") or use as a vehicle fuel. Of these uses, BtG is the key growth market for the business but government delays in announcing the Renewable Heat Incentive ("RHI") held the market back. The RHI is necessary to enable BtG to compete with subsidised Combined Heat and Power ("CHP") plants; the RHI was announced six months late, in March 2011 and has been the trigger for large utility companies to set up dedicated teams focused on BtG. As a result of this, CBG has seen a significant increase in the number of enquiries and tenders in the second half of 2011.

Conversion of enquiries and tenders into firm orders is slow as each project has a number of regulatory and planning hurdles to cross before contracts can be signed. CBG is well placed to win these projects, as we supplied the first successful upgrader on an award winning BtG project at Didcot in September 2010. Unlike our Competition, we are UK based and we are able to draw on the technical and developmental resources of Greenlane® Biogas, from whom we have a perpetual licence for the UK to sell and manufacture their world leading biogas upgrade technology. Timing of contracts is critical with an order to delivery period of eight to nine months for an upgrader; the period to 31 December 2011 will define sales in our 2012 financial year. As a result of this, the Board felt it prudent to halve our forecasts for upgrader sales for 2012 from four units to two units.



Developing People

The next generation meets new technology; a graduate engineer commissioning the new automated brinell hardness testing machine at CSC. Hands on experience is a vital ingredient of the development of our apprentices and graduates and is an important part of career progression. The majority of senior managers in our manufacturing businesses started as apprentices.

Whilst the downside risk on the timing of these two projects remains, we are confident in the medium and long term growth potential of this market.

The 2011 sales for CBG were all for vehicle refuelling with a trailer and a temporary filling station for Greenwich Council and two CNG filling stations taking methane from the gas mains for a major logistics company. Further progress is expected in this market in 2012 as the cost savings, substituting CNG for diesel, are reported to be high.

Acquisitions

The purchase of Al-Met and Hydratron has proved our capability in buying and integrating businesses into the Group. The strategy is straight forward, to acquire niche suppliers in pressure related technologies with manufacturing capabilities that overlap with the Group's core skills in forging, machining and assembly and complement our expertise in designing and testing pressure systems.

The immediate priority is to strengthen the Engineered Products division. This will be centred on Hydratron and we are actively looking for businesses that extend Hydratron's geographical presence or give vertical integration within the supply chain. The expansion of this division will further reduce the effects of the volatility of the Cylinder division on Group results.

Summary and outlook

2011 was another tough year for the Group with the strong performance of the acquisitions in our Engineering Products division lessening the effects of slow market growth in CSC and CBG. We expect to see good growth in Engineered Products in 2012 and the return to growth in Cylinders accelerating into 2013. Major growth in our alternative energy business, CBG, will be delayed to 2013. The Group's strong balance sheet and cash provide a sound platform from which to move forward.

John Hayward
Chief Executive
6 December 2011

Principal Risks and Uncertainties

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

Risk and Impact	Management Strategy
Market and Customer Concentration The Group's largest subsidiary, CSC, has its revenue concentrated on the deep water oil and gas sector. Changes in activity in this market, therefore, have a significant impact on Group results. Additionally, the number of customers in this market is low and loss of market share would have a significant impact on Group results.	**Development of Markets, Products and Services** The Group has a three-fold strategy to reduce its exposure to this market. First, significant management resource is allocated to service the requirements of customers in this market to maintain customer loyalty. Second, CSC has development programmes for new products and services to dilute the proportion of total revenues into this market. Third, growing the other divisions of the Group both organically and by acquisition.
Contract Delay CSC earns a significant amount of its revenues from large contracts in the deepwater oil and gas and defence markets and CBG is a start-up business in the Biogas to Grid market. In most cases, individual contracts in these two divisions are material to Group revenues and the timing of such contracts is influenced by a number of factors outside the control of the Group.	**Focused Project Management** Major contracts are managed through project teams to ensure all elements in the contract quotation and negotiation process that are under our control or influence are managed efficiently and effectively. However, the impact of the timing of contracts on half-year and full-year revenue remains a significant risk to the Group
Supplier Concentration The Group derives a high proportion of its raw material supplies from a small number of key suppliers, some of whom are competitors.	**Managing and Developing the Suppliers** To reduce the inherent risk of supply from competitors, requirements are split across the available supplier base. A constant review is maintained to identify alternative suppliers subject to constraints on pricing and quality.
Production Concentration Each product group operates from a single manufacturing site. In the event of a prolonged interruption to operations, the Group may not have the ability to transfer its manufacturing activities to other facilities.	**Active Site Management** Health, safety and environmental risks which could result in site closure are managed on a day to day basis by a designated manager at each site.
Equipment Concentration The Group has a number of large pieces of equipment at CSC for which it would be uneconomical to duplicate that equipment to guarantee continuity of supply in the case of major equipment failure. A failure in one of these key pieces of equipment could lead to a prolonged interruption to operations.	**Active Equipment Management** Key pieces of equipment are subject to on-going maintenance programmes and strategic spares for critical components are held. There remains a risk that, if a major component for which spares cannot be held failed, operations could still see a prolonged interruption.
Staff Concentration The Group is small and relies on a small number of key Directors, senior managers and specialists. A loss of a small number of such staff could have a major impact on Group revenues and development.	**Succession Planning** As the business grows, increases in staff numbers make succession planning easier and recruitment is already carried out to ensure that skills and expertise can be duplicated. Key man insurance is in place for the Group Chief Executive and Group Finance Director.
Banking Sector Risk The Group holds significant bank balances and instability in the banking sector puts these funds at risk if a bank holding our deposits fails.	**Use of Multiple Banks** The Group splits its cash deposits between three banks so that the failure of a single bank will not result in the loss of the total cash resources of the Group.
Foreign Currency The Group purchases some of its raw materials in both US Dollars and Euros and receives payment for some of its products in Euros. Movements in exchange rates could potentially impact Group revenues.	**Hedging of Exchange Rate Exposures** The Group has natural hedges for much of its foreign currency exposure. Regular reviews of the net exposure are maintained and where it is deemed necessary the exposure is reduced by the use of forward exchange contracts subject to limits in the Group's banking facility.

Key Performance Indicators ("KPI")

KPI's

Summary and Calculation of KPI's

The Board uses key performance indicators when assessing the performance of the Group. These KPI's are divided into three sections.

Shareholders

Earnings per share is used as a measure of shareholder return. Earnings per share are calculated as profit for the period divided by the weighted average number of shares in issue.

Financial Performance

Growth is measured in terms of sales revenue. The Group has a medium term target of achieving sales revenues of £40 million and each division has growth targets. The Group aims to progress towards the target of £40 million revenue through a combination of internal growth and acquisitions.

The efficiency of converting sales into profits is measured in terms of return on revenue. Return on revenue is calculated as operating profit divided by revenue and is stated after excluding CBG which is still considered to be in start-up mode (see note 1 for the detailed segmental analysis). The Group target return on revenue is 20%.

Corporate Social Responsibility

This is sub-divided into two areas.

Health & Safety

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

Environment

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

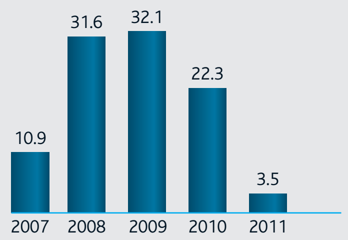
A full-time health, safety and environmental manager is employed by Chesterfield BioGas but has responsibility for these matters across the Group and reports directly to the Group Chief Executive on these matters.

Graphs of progress for each KPI are shown to the right.Environmental incidents are not graphed as there has been no reportable incident for the five year period. Comparative performance for 2011 and 2010 is:

		2011 £m	2010 £m
Shareholders	Earnings per share	**3.5p**	22.3p
Financial performance	Sales revenue	**£23.1m**	£21.7m
	Return on revenue	**5.0%**	18.1%
CSR	Reportable accidents	**Zero**	Zero
	Environmental incidents	**Zero**	Zero

Key issues are that revenues are recovering through growth acquisitions in the Engineered Products division which have compensated for a further revenue fall at CSC. The high level of fixed costs at CSC and the carrying costs of the Chesterfield BioGas start-up have depressed Group profits with a consequent effect on EPS. Actions to improve profitability are discussed in the Chief Executive's statement on pages 10 to 15.

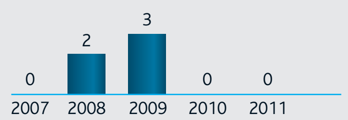
Earnings Per Share - Pence



Revenue - £ million

Return on Revenue - %

Reportable Accidents - Number



Directors and Advisers

RL Shacklady
Non-executive Chairman

JTS Hayward
Chief Executive

PS Cammerman
Non-executive Director

TJ Lister
Finance Director

NF Luckett
Non-executive Director

RL Shacklady
Non-executive Chairman (63)
Richard is a partner with RLS Associates where he works as a management consultant. He joined the Pressure Technologies business at the time of the MBO in 2004. He has extensive experience of working in several roles in the engineering sector, latterly as Managing Director of Doncasters UK Holdings plc. Richard is also the Non-executive Chairman of Langley Alloys Limited.

JTS Hayward
Chief Executive (50)
John has worked for the Company for 11 years, initially as Finance Director of Chesterfield Cylinders Limited before assuming additional directorial responsibility for the then Special Products division in 2000. He led the MBO in 2004 and then assumed the role of Chief Executive. John is a qualified accountant and has previously worked for Boots, Courtaulds, United Engineering Steels and T&N. He holds a degree in Physics from Oxford University.

TJ Lister
Finance Director (56)
James joined the Company in 2008. His previous engineering industry experience includes seven years with The 600 Group Plc in roles both as Group Financial Controller and as Finance Director of 600 Lathes. Prior experience included 15 years with Bridon in a variety of roles including Group Development Manager where he acted as the in house mergers and acquisitions manager. James is a qualified chartered accountant.

PS Cammerman
Non-executive Director (69)
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 one of the most active investors in UK SME's. He retired from all YFM Group businesses in April 2008. Philip is Chairman of the remuneration committee.

NF Luckett
Non-executive Director (69)
A qualified chartered accountant, Nigel is a former partner of Thomson McLintock & Co and latterly KPMG and has over 40 years of extensive corporate finance, insolvency and auditing experience. Since his retirement from KPMG in 1995 he has had a number of Non-executive Director and Chairman positions in the broad engineering sector. Nigel is Chairman of the audit committee.

Company information

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

Secretary
TJ Lister

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Directors' report

The Directors present their report and the audited financial statements for the period from 2 October 2010 to 1 October 2011.

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

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

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

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

On 15 October 2010, PT acquired 100% of the issued share capital of the Hydratron Group of Companies. Hydratron's 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. Further details of the acquisition are given in note 26 to the financial statements.

Results and dividends
The consolidated statement of comprehensive income is set out on page 25. The profit on ordinary activities before taxation of the Group for the period ended 1 October 2011 amounted to £0.578 million (2010: £3.506 million).

An interim dividend of 2.4p per share was paid during the period (2010: 2.4p). The Directors recommend a final dividend of 4.8p per share (2010: 4.8p).

Business review
The Chairman and Chief Executive's Statements on pages 6 to 15 give a detailed review of the current year's performance.
The operational overview is contained in the Chief Executive's Statement on pages 10 to 15.

The principal risks and uncertainties and key performance indicators are set out on pages 16 to 17.

Financial overview
- Revenues increased by 7% to £23.129 million (2010: £21.714 million).
- Gross profit decreased by 20% to £6.294 million (2010: £7.860 million) giving a gross margin of 27% (2010: 36%).
- Operating profit has decreased to £1.031 million (2010: £3.677 million) before acquisition related costs of £0.382 million (2010: 0.191 million).
- Profit before tax decreased to £0.578 million (2010: £3.506 million).
- Basic earnings per share were down 84% at 3.5p (2010: 22.3p).
- Net cash decreased to £2.897 million (2010: £6.475 million) following the purchase of the Hydratron Group of Companies for £2.5 million upon acquisition and the assumption of debt (net of cash) of £0.293 million.
- Capital expenditure on additions to fixed assets for the year was £1.147 million (2010: £0.643 million).

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 2011.

Substantial shareholdings
As at 28 November 2011, 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
D & A Income	1,045,000	9.2%
JTS Hayward	1,002,221	8.8%
Artemis	921,667	8.1%
Hargreave Hale	761,467	6.7%
JW Brown	625,454	5.5%
A Harding	588,333	5.2%
YFM Private Equity	483,633	4.3%
Unicorn	469,767	4.1%
PD Catton	463,333	4.1%
The Liontrust Intellectual Capital Trust	376,025	3.3%
PL Redfern	345,000	3.0%
South Yorkshire Investment Capital Fund	342,224	3.0%

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

Ordinary shares	**1 October 2011 No.**	2 October 2010 No.
RL Shacklady (including 22,500 shares held by his wife)	**60,500**	60,500
JTS Hayward	**1,002,221**	1,000,040
PS Cammerman	**26,395**	24,395
TJ Lister	**3,750**	3,750
NF Luckett (including 7,667 shares held by his wife)	**52,000**	52,000

Share options
On 28 July 2011, options were granted over 89,028 ordinary shares under the rules of the Pressure Technologies plc Save-As-You-Earn scheme at an exercise price of 150p. These options are exercisable after 3 years and lapse 6 months after this date if they are not exercised.

On 1 October 2011, there were 106,815 (2010: 67,938) outstanding and exercisable options under the Save-As-You-Earn scheme and a further 73,117 (2010: 73,117) outstanding and exercisable options under the Enterprise Management Plan.

The Directors' interests in share options are as follows:

	Date granted	**Number**	**Option price**
TJ Lister	18 August 2009	6,050	150p
TJ Lister	7 October 2009	51,612	232.5p

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 20 to the financial statements.

Directors' report continued

Donations
Donations made by the Group during the period for charitable purposes in the United Kingdom amounted to £3,120 (2010: £3,000).

Supplier payment policy
The Group's policy is to comply wherever practical with the terms of payment agreed with its suppliers. The average creditor days were 43 (2010: 47) for the Group. The Company has no significant trade payables.

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

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

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

Going concern
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 2011/2012 and beyond and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed.

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

Post balance sheet events
There are no post balance sheet events to note.

Statement of Directors' responsibilities for the financial statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group financial statements for each financial year. Under that law the Directors have prepared the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 for that period. The Directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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.

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.

In so far as each of the Directors is aware:

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

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.

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

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

By order of the Board
TJ Lister
Secretary
6 December 2011

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

We have audited the financial statements of Pressure Technologies plc for the period ended 1 October 2011 which comprise the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 26 to the Group consolidated financial statements and notes 1 to 11 to the parent Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditors
As explained more fully in the Directors' Responsibilities Statement set out on pages 22 and 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 1 October 2011 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
6 December 2011

Consolidated statement of comprehensive income

For the period ended 1 October 2011

	Notes	**52 weeks ending 1 October 2011 £'000**	**Acquisition related costs 1 October 2011 £'000**	**52 weeks ending 1 October 2011 £'000**	52 weeks ending 2 October 2010 £'000
Revenue	1	**23,129**	—	**23,129**	21,714
Cost of sales		**(16,835)**	—	**(16,835)**	(13,854)
Gross profit		**6,294**	—	**6,294**	7,860
Administration expenses	1	**(5,263)**	**(382)**	**(5,645)**	(4,374)
Operating profit	1	**1,031**	**(382)**	**649**	3,486
Finance income	2			**8**	39
Finance costs	3			**(79)**	(19)
Profit before taxation	4			**578**	3,506
Taxation	8			**(177)**	(978)
Profit for the period				**401**	2,528
Exchange differences on translating foreign operations				**(3)**	—
Total comprehensive income for the period attributable to the owners of the parent				**398**	2,528
Earnings per share – basic	9			**3.5p**	22.3p
– diluted	9			**3.5p**	22.2p

All the above results are from continuing operations.

The accounting policies and notes on pages 29 to 52 form part of these financial statements.

Consolidated balance sheet
As at 1 October 2011

	Notes	1 October 2011 £'000	2 October 2010 £'000
Non-current assets			
Goodwill	11	**1,964**	272
Intangible assets	12	**1,962**	543
Property, plant and equipment	13	**4,649**	3,745
Deferred tax asset	21	**245**	229
Trade and other receivables	16	**324**	321
		9,144	5,110
Current assets			
Inventories	15	**5,012**	3,547
Trade and other receivables	16	**6,471**	6,601
Cash and cash equivalents		**2,939**	6,613
		14,422	16,761
Total assets	1	**23,566**	21,871
Current liabilities			
Trade and other payables	18	**(6,260)**	(3,737)
Derivative financial instruments	17	**—**	(21)
Borrowings	19	**(33)**	(130)
Current tax liabilities		**(190)**	(721)
		(6,483)	(4,609)
Non-current liabilities			
Other payables	18	**(744)**	(668)
Borrowings	19	**(9)**	(8)
Deferred tax liabilities	21	**(792)**	(679)
		(1,545)	(1,355)
Total liabilities		**(8,028)**	(5,964)
Net assets		**15,538**	15,907
Equity			
Share capital	22	**567**	567
Share premium account		**5,369**	5,341
Translation reserve		**(3)**	—
Retained earnings		**9,605**	9,999
Total equity		**15,538**	15,907

The accounting policies and notes on pages 29 to 52 form part of these financial statements.

The financial statements were approved by the Board on 6 December 2011 and signed on its behalf by:

JTS Hayward
Director
Company number: 06135104

Consolidated statement of changes in equity
For the period ended 1 October 2011

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Translation reserve £'000	Total equity £'000
Balance at 3 October 2009	567	5,341	8,206	—	14,114
Dividends	—	—	(771)	—	(771)
Share based payments	—	—	36	—	36
Transactions with owners	—	—	(735)	—	(735)
Profit and total comprehensive income for the period	—	—	2,528	—	2,528
Balance at 2 October 2010	567	5,341	9,999	—	15,907
Dividends	—	—	(816)	—	(816)
Share based payments	—	—	21	—	21
Shares issued	—	28	—	—	28
Transactions with owners	—	28	(795)	—	(767)
Profit for the period	—	—	401	—	401
Exchange differences on translating foreign operations	—	—	—	(3)	(3)
Total comprehensive income	—	—	401	(3)	398
Balance at 1 October 2011	**567**	**5,369**	**9,605**	**(3)**	**15,538**

The accounting policies and notes on pages 29 to 52 form part of these financial statements.

Consolidated statement of cash flows

For the period ended 1 October 2011

	Notes	**52 weeks ending 1 October 2011 £'000**	52 weeks ending 2 October 2010 £'000
Operating activities			
Cash flows from operating activities	24	**3,095**	3,391
Finance costs paid		**(23)**	(19)
Income tax paid		**(896)**	(1,158)
Net cash inflow from operating activities		**2,176**	2,214
Investing activities			
Interest received		**8**	39
Purchase of property, plant and equipment		**(1,147)**	(643)
Purchase of licence and distribution agreement		**(800)**	—
Development costs incurred		**(234)**	—
Purchase of subsidiary net of cash and cash equivalents	26	**(2,164)**	(2,010)
Net cash used in investing activities		**(4,337)**	(2,614)
Financing activities			
Repayment of borrowings		**(725)**	(262)
Dividends paid		**(816)**	(771)
Shares issued		**28**	—
Net cash outflow from financing activities		**(1,513)**	(1,033)
Net decrease in cash and cash equivalents		**(3,674)**	(1,433)
Cash and cash equivalents at beginning of period		**6,613**	8,046
Cash and cash equivalents at end of period		**2,939**	6,613

The accounting policies and notes on pages 29 to 52 form part of these financial statements.

Accounting policies

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and IFRIC interpretations issued by the International Accounting Standards Board and the Companies Act 2006. The Company has elected to prepare its parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on pages 53 to 56.

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ending 1 October 2011. The consolidated financial statements have been prepared on a going concern basis.

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

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

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)

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

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

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

Critical accounting judgements
Revenue recognition – Cylinders
The Group recognises revenue when the goods in question have finished production and passed any applicable factory and customer acceptance tests. Where goods remain on the Group's premises at the year end at the request of the customer, management consider the detailed criteria for the recognition of revenue from the sale of the goods as set out in IAS 18 'Revenue'. In particular, consideration is given as to whether the significant risks and rewards of ownership are considered to have transferred to the buyer.

Capitalisation of development costs
The Group capitalises costs in relation to development projects where the requirements of IAS 38 'Intangible' assets are met. This key judgement required to capitalise the costs is whether future revenues will exceed total forecast capitalised costs. Management make this judgement based on their knowledge of the project, the size of the market to which it can be sold and the expected demand for the project. Once capitalised, the assets are reviewed for impairment at each reporting date as explained below.

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

Accounting policies continued

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.

Trade receivable provisions

The Directors have reviewed the open trade receivable balances at the reporting period end and made provisions where recovery is assessed as doubtful based on knowledge of the customer, project and age of unrecovered debts.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 1 October 2011 (2010: to 2 October 2010). 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.

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the consolidated financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at these fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

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 generally measured at their acquisition-date fair values.

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

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

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

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

Revenue

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

Cylinders

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

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

Engineered Products

In applying the above policy, revenue is recognised in the Engineered Products segment when production is complete, the goods are ready to be despatched and substantially all the risks and rewards associated with the product have passed to the customer. In the vast majority of cases, despatch takes place as soon as production has been completed.

Alternative Energy

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

Share-based employee remuneration

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

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

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

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

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

Dividends

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

Property, plant and equipment

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

Plant and machinery	4 – 15 years

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

Accounting policies continued

Intangible assets
Licence and distribution agreement
Intangible assets are recorded at cost, net of amortisation and any provision for impairment. The Group's licence and distribution agreement is being amortised over 15 years, being the period over which the Directors have assessed that significant revenues will be generated.

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

- it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and
- the cost of the asset can be measured reliably.

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

Intangible assets acquired as part of a business combination
In accordance with IFRS 3 'Business Combinations', an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of an intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group.

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

Customer order book	Over life of the order book – typically 1 year
Non-contractual customer relationships	5 years

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

Leased assets
In accordance with 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 when the interest element of the lease payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

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

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

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

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

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

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

Accounting for financial assets
The Group has financial assets in the following categories:

- loans and receivables (trade and other receivables, cash and cash equivalents);
- financial assets at fair value through profit or loss (derivative financial instruments).

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Impairment is considered where the balances are past due or where there is other evidence that a counterparty may default. Any gains or losses arising as a result of the impairment review are recognised in profit or loss. Pressure Technologies plc's trade and most other receivables fall into this category of financial instrument. Discounting on loans and receivables is omitted where the effect is immaterial. However, where it is required, the asset is held at fair value after discounting and the difference is recognised in the profit and loss account under financing costs. Long term retentions due on contracts are the main balances where such treatment is required.

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

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

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

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

Accounting policies continued

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.

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

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

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

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 taken to the translation reserve. On disposal of a foreign operation the cumulative translation differences are transferred to the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income over the expected useful lives of the assets concerned. Other grants are credited to the consolidated statement of comprehensive income in the same period as the related expenditure is incurred.

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

Segment reporting
IFRS 8 requires operating segments to be identified on the basis of the internal reports about operating units of the Group that are regularly reviewed by the Chief Executive to allocate resources and to assess their performance. The Group operates three main operating segments which represent the main products and services provided by the Group:

- Cylinders: the design, manufacture and reconditioning of seamless high pressure gas cylinders.
- Engineered products: the manufacture of precision engineered valve components, air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs.
- Alternative energy: marketing, selling and manufacture of biogas upgrading equipment to produce high purity biomethane.

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

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

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

Notes to the consolidated financial statements

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

For the period ended 1 October 2011	Cylinders £'000	Engineered Products £'000	Alternative energy £'000	Unallocated amounts** £'000	Total £'000
Revenue					
– from external customers	11,052	11,161	916	—	23,129
– from other segments	209	—	—	(209)	—
Segment revenues	11,261	11,161	916	(209)	23,129
Operating profit/(loss) before acquisition costs	1,440	1,048	(456)	(1,001)	1,031
Acquisition costs*	—	(382)	—	—	(382)
Operating profit/(loss)	1,440	666	(456)	(1,001)	649
Net finance costs	(55)	(21)	1	4	(71)
Profit/(loss) before tax	1,385	645	(455)	(997)	578
Segmental assets	10,748	9,988	1,711	1,119	23,566
Other segment information:					
Capital expenditure	504	411	232	—	1,147
Depreciation	248	248	22	—	518

For the period ended 2 October 2010	Cylinders £'000	Engineered Products £'000	Alternative energy £'000	Unallocated amounts** £'000	Total £'000
Revenue					
– from external customers	18,976	2,034	704	—	21,714
– from other segments	118	—	—	(118)	—
Segment revenues	19,094	2,034	704	(118)	21,714
Operating profit/(loss) before acquisition costs	4,753	46	(308)	(814)	3,677
Acquisition costs*	—	(191)	—	—	(191)
Operating profit/(loss)	4,753	(145)	(308)	(814)	3,486
Net finance costs	(3)	(8)	—	31	20
Profit/(loss) before tax	4,750	(153)	(308)	(783)	3,506
Segmental assets	11,734	3,375	1,341	5,421	21,871
Other segment information:					
Capital expenditure	525	—	118	—	643
Depreciation	186	115	14	—	315

*Acquisition costs include the amortisation of intangible assets acquired through an acquisition and fees associated with acquiring the entity.

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

Notes to the consolidated financial statements continued

1. Segment analysis continued

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

Revenue	2011 £'000	2010 £'000
United Kingdom	**11,828**	3,112
Europe	**4,850**	5,363
Rest of the World	**6,451**	13,239
	23,129	21,714

The Group's largest customer contributed 13% to the Group's revenue (2010: 47%) which is reported within the Cylinders segment. The second largest customer contributed 12% to the Group's revenue which is reported within the Engineered Products segment. No other customer contributed more than 10% (2010: the second largest customer contributed 10% to the Group's revenue which is reported within the Cylinders segment).

The following table provides an analysis of the carrying amount of segment assets, additions to property, plant and equipment and intangible assets for 2011.

	United Kingdom £'000	Rest of the World £'000	Total £'000
Total assets	22,786	780	23,566
Additions to property, plant and equipment	1,147	—	1,147
Additions to intangible assets	1,800	—	1,800

The 2010 comparative has not been analysed separately by location as they were all located in the United Kingdom.

2. Finance income

	2011 £'000	2010 £'000
Interest receivable on bank deposits	**8**	39

3. Finance costs

	2011 £'000	2010 £'000
Interest payable on bank loans and overdrafts	**(18)**	(16)
Interest payable on finance leases	**(5)**	(3)
Fair value discounting adjustment on loans and receivables (note 16)	**(56)**	—
	(79)	(19)

4. Profit before taxation

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

	2011 £'000	2010 £'000
Depreciation of property, plant and equipment – owned assets	**481**	293
Depreciation of property, plant and equipment – assets under finance lease and hire purchase agreements	**37**	22
Acquisition fees	**94**	66
Amortisation of intangible assets – arising on a business combination	**288**	125
– licence and distribution agreement	**83**	80
– development costs	**10**	—
Amortisation of grants receivable	**(32)**	(42)
Staff costs (see note 7)	**5,761**	3,020
Cost of inventories recognised as an expense	**11,422**	11,030
Operating lease rentals:		
Land and buildings	**531**	548
Machinery and equipment	**54**	27
Foreign currency loss/(gain)	**7**	(98)
Fair value of derivative financial instruments	**(21)**	25
Write down of inventories to fair value less costs to sell	**—**	280

5. Auditors' remuneration

	2011 £'000	2010 £'000
Fees payable to the Company's Auditor for the audit of the financial statements	**11**	11
Fees payable to the Company's Auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**34**	27
Fees payable to the Group's Auditors for non-audit services:		
– Tax services	**13**	14
– Review of Interim Financial Statements	**11**	10
– Other services	**4**	13

6. Directors' emoluments

Particulars of Directors' emoluments are as follows:

	Salary and fees £'000	Benefits £'000	Bonus £'000	Employers national insurance £'000	Total 2011 £'000	Total 2010 £'000	Pension 2011 £'000	Pension 2010 £'000
Non-Executive:								
RL Shacklady	**29**	—	—	—	**29**	24	—	—
NF Luckett	**17**	—	—	**2**	**19**	17	—	—
PS Cammerman	**17**	—	—	**2**	**19**	17	—	—
Executive:								
JTS Hayward	**110**	**1**	—	**14**	**125**	111	**12**	10
TJ Lister	**91**	**2**	—	**12**	**105**	94	**10**	9
Total emoluments	**264**	**3**	—	**30**	**297**	263	**22**	19

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

Directors' emoluments now include the cost of employers' national insurance contributions and the comparative figures for 2010 have been adjusted to also include this cost.

The number of Directors who are accruing benefits under money purchase pension arrangements is 2 (2010: 2). The Directors' interests in share options are given in the Directors' Report.

The Group believes that the Directors of Pressure Technologies plc are the only key management personnel under the definition of IAS 24 'Related party disclosures'. In addition to the above, Directors have received dividends during the year as follows:

	Total 2011 £'000	Total 2010 £'000
Non-Executive:		
RL Shacklady	**4**	4
NF Luckett	**4**	4
PS Cammerman	**2**	2
Executive:		
JTS Hayward	**72**	68
TJ Lister	**—**	—
Total dividends paid to Directors	**82**	78

Notes to the consolidated financial statements continued

7. Employee costs
Particulars of employees, including Executive Directors:

	2011 £'000	2010 £'000
Wages and salaries	**5,110**	2,615
Social security costs	**487**	278
Other pension costs	**143**	91
Share based payments	**21**	36
	5,761	3,020

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

	2011 No.	2010 No.
Production	**128**	78
Selling and distribution	**19**	7
Administration	**18**	10
	165	95

8. Taxation

	2011 £'000	2010 £'000
Current tax		
Current tax expense	**227**	1,007
Under provision in prior years	**19**	—
	246	1,007
Deferred tax		
Origination and reversal of temporary differences	**(69)**	(29)
Total taxation charge	**177**	978

Corporation tax is calculated at 27% (2010: 28%) of the estimated assessable profit for the period.

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

	2011 £'000	2010 £'000
Profit before taxation	**578**	3,506
Theoretical tax at UK corporation tax rate 27% (2010: 28%)	**156**	982
Effects of:		
– non-deductible expenses	**5**	23
– adjustments in respect of prior years	**19**	(29)
– carry back of losses	**—**	2
– change in taxation rates	**(3)**	—
Total taxation charge	**177**	978

9. Earnings per ordinary share
Basic and diluted earnings per share have been calculated in accordance with IAS 33, which requires that earnings should be based on the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period.

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

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

	2011 £'000	2010 £'000
Profit after tax	**401**	2,528
	No.	No.
Weighted average number of shares – basic	**11,342,907**	11,333,620
Dilutive effect of share options	**21,215**	74,633
Weighted average number of shares – diluted	**11,364,122**	11,408,253
Basic earnings per share	**3.5p**	22.3p
Diluted earnings per share	**3.5p**	22.2p

10. Dividends
The following dividend payments have been made on the ordinary 5p Shares in issue:

	Rate	Date	Shares in issue	2011 £'000	2010 £'000
Final 2008/09	4.4p	12 March 2010	11,333,620	**—**	499
Interim 2009/10	2.4p	10 August 2010	11,333,620	**—**	272
Final 2009/10	4.8p	11 March 2011	11,333,620	**544**	—
Interim 2010/11	2.4p	10 August 2011	11,349,544	**272**	—
				816	771

At 1 October 2011, the 2010/11 final dividend had not been approved by Shareholders and consequently this has not been included as a liability. The proposed dividend of 4.8p per share is expected to be paid on 9 March 2012 at a total cost of £545,000.

11. Goodwill

	Total £'000
Cost	
At 4 October 2009	—
Additions	272
At 2 October 2010	272
Additions (note 26)	1,692
At 1 October 2011	**1,964**

Goodwill additions in the period arose on the acquisition of the Hydratron Group of Companies on 15 October 2010 and represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, as detailed in note 26.

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

Notes to the consolidated financial statements continued

11. Goodwill continued

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

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

The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations, covering a four year forecast and applying a discount rate of 7.5% which equates to the Group's weighted average cost of capital. The same discount rate is used for both CGUs due to the similarities of the businesses.

The forecast for year one is the forecast approved by management and used within the Group. The forecasts used for years two to four are conservative, with no assumed growth on year one cash flow figures.

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

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

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

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

12. Intangible assets

	Licence and distribution agreement £'000	Development expenditure £'000	Customer order book £'000	Non contractual customer relationships £'000	Total £'000
Cost					
At 3 October 2009	400	—	—	—	400
Additions	—	—	107	261	368
At 2 October 2010	400	—	107	261	768
Additions	800	234	90	676	1,800
At 1 October 2011	**1,200**	**234**	**197**	**937**	**2,568**
Amortisation					
At 3 October 2009	20	—	—	—	20
Charge for the period	80	—	90	35	205
At 2 October 2010	100	—	90	35	225
Charge for the period	83	10	107	181	381
At 1 October 2011	**183**	**10**	**197**	**216**	**606**
Net book value					
At 1 October 2011	**1,017**	**224**	**—**	**721**	**1,962**
At 2 October 2010	300	—	17	226	543

The period of the licence and distribution agreement was extended during the year from an initial period of five years to one of in perpetuity at a cost of £800,000.

Development costs relate to internal projects incurred in the year which have been capitalised as they meet the recognition criteria of IAS 38 'Intangible Assets'.

The additions to customer order book and non-contractual customer relationships during the year relate to the acquisition of The Hydratron Group of Companies (note 26).

13. Property, plant and equipment

	Plant and machinery £'000
Cost	
At 3 October 2009	4,351
Additions	643
Acquisitions	1,222
At 2 October 2010	6,216
Additions	1,147
Acquisitions (note 26)	275
At 1 October 2011	**7,638**
Depreciation	
At 3 October 2009	2,156
Charge for the period	315
At 2 October 2010	2,471
Charge for the period	518
At 1 October 2011	**2,989**
Net book value	
At 1 October 2011	**4,649**
At 2 October 2010	3,745

Included within the net book value of £4,649,000 is £274,000 (2010: £385,000) 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 £37,000 (2010: £22,000).

14. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the Parent Company's separate financial statements as listed on page 55.

15. Inventories

	2011 £'000	2010 £'000
Raw materials and consumables	**3,014**	2,110
Work in progress	**1,998**	1,437
	5,012	3,547

Included in the total net value above are gross inventories of £835,489 (2010: £797,000) over which fair value provisions have been made of £519,000 (2010: £517,000).

Notes to the consolidated financial statements continued

16. Trade and other receivables

	2011 £'000	2010 £'000
Current		
Trade receivables	**5,826**	4,997
Other debtors	**46**	159
Prepayments and accrued income	**599**	1,445
	6,471	6,601

	2011 £'000	2010 £'000
Non-current		
Accrued income	**324**	321
	324	321

Included in accrued income are debts not due for settlement for a number of years. Management have reviewed the book value of the assets and applied discounting to reduce the balances by £56,000 to a fair value of £324,000.

The average credit period taken on the sale of goods and services was 83 days (2010: 78 days) in respect of the Group. Three debtors accounted for over 10% of trade receivables and represented 11%, 10% and 10% of the total balance. In 2010, three debtors accounted for over 10% of trade receivables and represented 31%, 17% and 14% of the total balance.

Ageing of past due but not impaired receivables:

	2011 £'000	2010 £'000
Days past due:		
0 – 30 days	**1,002**	446
31 – 60 days	**218**	89
61 – 90 days	**31**	330
91 – 120 days	**—**	12
121+ days	**520**	976
Total	**1,771**	1,853

Of the above receivables more than 121 days past their due date totalling £520,000, £428,000 relates to work carried out on two overseas naval contracts, for which no impairment provision is considered necessary. Since the financial year end, a payment of £100,000 has been received which settles in full the outstanding balance on one of these overseas naval contracts.

17. Derivative financial instruments

	2011 £'000	2010 £'000
Derivatives carried at fair value not recognised for hedge accounting		
– Forward foreign currency contracts	**—**	(21)
Liability	**—**	(21)

18. Trade and other payables

	2011 £'000	2010 £'000
Amounts due within 12 months		
Trade payables	**2,271**	1,748
Other tax and social security	**222**	85
Deferred consideration (note 26)	**800**	—
Accruals and deferred income	**2,967**	1,904
Total due within 12 months	**6,260**	3,737
Amounts due after 12 months		
Other payables	**376**	371
Deferred income	**368**	297
Total due after 12 months	**744**	668

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

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

19. Borrowings

	2011 £'000	2010 £'000
Secured borrowings		
Net obligations under finance leases	**42**	138
Amounts due for settlement within 12 months	**33**	130
Amounts due for settlement after 12 months	**9**	8

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

	2011 £'000	2010 £'000
Due within one year	**33**	130
Due within one to two years	**9**	8
	42	138

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

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

Notes to the consolidated financial statements continued

20. Financial instruments

Capital risk management

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

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

	2011 £'000	2010 £'000
Debt	**(42)**	(138)
Cash and cash equivalents	**2,939**	6,613
Net cash	**2,897**	6,475
Equity	**15,538**	15,907

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

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

The Group held the following categories of financial instruments:

	2011 £'000	2010 £'000
Financial assets		
Loans and receivables:		
– Trade receivables	**5,826**	4,997
– Cash and cash equivalents	**2,939**	6,613
	8,765	11,610
Financial liabilities		
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**—**	21
Trade and other payables – held at amortised cost		
– Trade payables	**2,271**	1,748
– Accruals and deferred income	**2,967**	1,904
Borrowings – at amortised cost	**42**	138
Deferred consideration	**800**	—
	6,080	3,811

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

20. Financial instruments continued

Financial risk management objectives

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

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

Market risk

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

Foreign currency risk management

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

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

	Financial assets 2011 £'000	Financial assets 2010 £'000	**Financial liabilities 2011 £'000**	Financial liabilities 2010 £'000
Australian Dollar	**6**	—	**73**	—
Euro	**2,303**	3,681	**1,555**	595
Norwegian Krone	**4**	4	**—**	—
US Dollar	**565**	167	**456**	153
	2,878	3,852	**2,084**	748

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:

	Australian Dollar impact 2011 £'000	Australian Dollar impact 2010 £'000	**Euro currency impact 2011 £'000**	Euro currency impact 2010 £'000	**US Dollar impact 2011 £'000**	US Dollar impact 2010 £'000
Profit or loss	**6**	—	**68**	283	**10**	1

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

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

Notes to the consolidated financial statements continued

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

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

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

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

At 1 October 2011, the Group had no outstanding forward exchange contracts (2010: contracts outstanding to purchase €2 million for £1,718,000).

The fair value of forward foreign exchange contracts at 1 October 2011 gave rise to a profit/loss of £nil (2010: loss of £25,000).

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the impact on the results in the consolidated statement of comprehensive income and equity would be an increase/decrease of £11,000 (2010: £30,000).

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

Credit risk management
The Group's credit risk is primarily attributable to its trade receivables. The two largest customers within trade receivables account for 21% (2010: 48%) of debtors. Management continually monitor this dependence on the largest customers and are continuing to seek acquisitions and are also developing new products, customers and markets to reduce this dependence. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The Group's management estimate the level of allowances required for doubtful debts based on prior experience and their assessment of the current economic environment. The Group's maximum exposure to credit risk is limited to the carrying value of financial assets recognised at the period end. The Group's management considers that all financial assets that are not impaired or past due are of good credit quality.

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

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

20. Financial instruments continued
At 1 October 2011, the Group's liabilities have contractual maturities summarised below:

2011	**Current within 6 months £'000**	**Current 6-12 months £'000**	**Non current 1 to 5 years £'000**	**Less future interest £'000**	**Total net payable £'000**
Trade and other payables	**4,698**	**—**	**540**	**—**	**5,238**
Amounts due under hire purchase agreements	**21**	**13**	**9**	**(1)**	**42**
Deferred consideration	**400**	**400**	**—**	**—**	**800**
	5,119	**413**	**549**	**(1)**	**6,080**

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

The Group had an un-drawn bank overdraft facility available at 1 October 2011 of £2,000,000 (2010: £5,000,000) which is due for renewal on the 29 February 2012.

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

	2011 £'000	2010 £'000
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**(21)**	25
Amounts (credited)/charged to cost of sales within the consolidated statement of comprehensive income	**(21)**	25

Fair values
The fair values of financial assets and liabilities are determined as follows:
– Outstanding foreign currency exchange contracts are measured using quoted forward exchange rates at the balance sheet date. The Group does not hedge account.
The carrying value and fair value of the financial assets and financial liabilities are considered to be the same except for on certain debts due in more than 1 year as explained in note16.

Notes to the consolidated financial statements continued

21. Deferred tax

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

	Accelerated tax depreciation £'000	Intangible assets £'000	Short term temporary differences £'000	Share option costs £'000	Operating lease incentives £'000	Total £'000
At 3 October 2009	(278)	—	(3)	6	89	(186)
Al-Met Acquisition	(190)	(103)	—	—	—	(293)
Credit/(charge) to income	(143)	35	119	3	15	29
At 2 October 2010	(611)	(68)	116	9	104	(450)
Hydratron Acquisition	(28)	(138)	—	—	—	(166)
Credit/(charge) to income	(51)	104	15	—	1	69
At 1 October 2011	**(690)**	**(102)**	**131**	**9**	**105**	**(547)**

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

	2011 £'000	2010 £'000
Non-current asset		
Deferred tax asset	**245**	229
Non-current liabilities		
Deferred tax liabilities	**(792)**	(679)
	(547)	(450)

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

	Unprovided 2011 £'000	Unprovided 2010 £'000
Trading losses	**43**	43

22. Called up share capital

	2011 No.	2010 No.	**2011 £'000**	2010 £'000
Authorised				
Authorised ordinary shares of 5p each	**15,000,000**	15,000,000	**750**	750
Allotted, issued and fully paid				
Ordinary shares of 5p each	**11,349,540**	11,333,620	**567**	567

During the year, the Company issued 15,920 ordinary shares at a price of 176p increasing share capital by £796 and share premium by £28,000. These shares were issued to employees exercising their rights to acquire shares under the company's SAYE/share option plan.

23. Share based payments

Save-as-you-earn Scheme

Pressure Technologies plc introduced a share option scheme for all employees of the Group in November 2007. A third grant of options was made in July 2011. If the options remain unexercised after a period of 3 years and 6 months from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest. Members of the scheme are required to remain employees of the Group and make regular contributions. The first tranche of options, initially granted in November 2007, expired during the year.

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

	2011 No.	2010 No.
Outstanding and exercisable at the beginning of the period	**67,938**	76,650
Granted during the period	**89,028**	—
Lapsed during the period	**(2,516)**	(8,712)
Exercised during the period	**(15,920)**	—
Expired during the period	**(31,715)**	—
Outstanding and exercisable at the end of the period	**106,815**	67,938

The exercisable options outstanding at 1 October 2011 had a weighted average exercise price of 150p (2010: 168p) and a weighted average remaining contractual life of 2.5 years (2010: 0.7 years). The terms of these options are as follows:

Date of grant	Options outstanding at 1 October 2011	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
18 August 2009	17,787	3 years	178	150	6 months
28 July 2011	89,028	3 years	160	150	6 months

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

Pressure Technologies plc Performance Share Plan – Enterprise Management Plan

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

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

	2011 No.	2010 No.
Outstanding and exercisable at the beginning of the period	**73,117**	—
Granted during the period	—	116,127
Lapsed during the period	—	(43,010)
Outstanding and exercisable at the end of the period	**73,117**	73,117

The exercisable options outstanding at 1 October 2011 had a weighted average exercise price of 232.5p (2010: 232.5p) and a weighted average remaining contractual life of 1 year (2010: 2 years). The terms of these options are as follows:

Date of grant	Options outstanding at 1 October 2011	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
7 October 2009	73,117	3 years	232.5	232.5	6 months

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

Notes to the consolidated financial statements continued

23. Share based payments continued

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

Scheme:	Save-As -You-Earn	Save-As -You-Earn	Enterprise Management Plan	Save-As -You-Earn
Date granted:	30/11/07	18/08/09	07/10/10	28/07/11
Weighted average share price	220p	178p	232.5p	160p
Weighted average exercise price	176p	150p	232.5p	150p
Expected volatility	37.6%	32.7%	42.3%	45%
Expected life	3 years	3 years	3 years	3 years
Risk free rate	5.2%	4.6%	3.4%	3.5%
Expected dividend yield	0%	2.6%	2.8%	3%

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.

The total charge to the consolidated statement of comprehensive income in the period in respect of share-based payments was £21,000 (2010: £36,000). A deferred tax charge of £nil (2010: £3,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

24. Consolidated cash flow statement

	2011 £'000	2010 £'000
Profit after tax	**401**	2,528
Adjustments for:		
Finance costs/(income) – net	**71**	(20)
Depreciation of property, plant and equipment	**518**	315
Amortisation of intangible assets	**381**	205
Share option costs	**21**	36
Income tax expense	**177**	978
(Profit)/loss on derivative financial instruments	**(21)**	25
Foreign exchange movement	**(3)**	—
Changes in working capital:		
(Increase)/decrease in inventories	**(235)**	1,443
Decrease/(increase) in trade and other receivables	**1,235**	(1,673)
Increase/(decrease) in trade and other payables	**550**	(446)
Cash flows from operating activities	**3,095**	3,391

25. Financial commitments

(a) Capital commitments

Commitments for capital expenditure entered into were as follows:

	2011 £'000	2010 £'000
Contracted for, but not provided in the accounts	**112**	161

(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:

	2011 £'000	2010 £'000
Land and buildings, leases expiring:		
Within one year	**601**	475
In the second to fifth years inclusive	**2,571**	1,916
After more than five years	**2,844**	2,497
	6,016	4,888
Other assets, leases expiring:		
Within one year	**43**	14
In the second to fifth years inclusive	**23**	4
	66	18

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

- a 15 year lease commenced on 1 July 2005 with rent reviews every five years on the Group factory and offices at Meadowhall, Sheffield;
- a secondary 15 year lease commenced on the same date with rent reviews every five years for the end bays at Meadowhall, Sheffield;
- a third lease was entered into on 7 February 2010, expiring on the same date as the two leases above, for new offices at the above address;
- a 15 year lease for Al-Met Limited's property commenced on 10 November 2010 with rent reviews at the end of year 5 and year 10 of the term; and
- Hydratron Limited's10 year property lease commenced on 28 October 2010 and has a rent review at the end of year 5.

Notes to the consolidated financial statements continued

26. Acquisition of subsidiary

On 15 October 2010, the Group acquired 100% of the issued share capital of the Hydratron Group of Companies for an initial cash consideration of £2.5 million to be followed by two deferred payments of £400,000 each payable on 15 October 2011 and 8 August 2012. Hydratron designs, manufactures and sells a range of air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs. The transaction has been accounted for by the acquisition method of accounting.

	Book value £'000	Intangible assets recognised on acquisition £'000	Fair value £'000
Net assets acquired:			
Property, plant and equipment	275	—	275
Intangibles	—	766	766
Inventories	1,230	—	1,230
Trade and other receivables	1,164	—	1,164
Cash and cash equivalents	336	—	336
Borrowings	(574)	—	(574)
Finance leases	(55)	—	(55)
Trade and other payables	(1,249)	—	(1,249)
Current tax liabilities	(119)	—	(119)
Deferred tax liability	(28)	(138)	(166)
	980	628	1,608
Goodwill			1,692
Total consideration			3,300
Satisfied by:			
Cash			2,500
Deferred cash consideration			800
			3,300
Net cash outflow arising on acquisition			
Cash consideration			2,500
Cash and cash equivalents acquired			(336)
			2,164

Acquisition fees of £94,000 were incurred in the year. These have been recognised in the consolidated statement of comprehensive income.

The £574,000 borrowings in the acquired balance sheet relate to invoice discounting liabilities which were settled by the Group after acquisition and are included within the consolidated statement of cash flow under repayment of borrowings.

The intangible assets acquired with the business comprise £676,000 for non-contractual customer relationships and £90,000 for the order book.

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

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

The Hydratron Group contributed £6,531,000 to Group revenue and a profit before amortisation and tax of £457,000 for the period between the date of acquisition and the balance sheet date. The acquisition was completed on 15 October 2010 which is marginally later than the Group's previous year end of 2 October 2010. The effect of the inclusion of the acquisition had it been completed on the first day of the financial year is considered to be immaterial upon the Group's revenue and profit before tax.

Company balance sheet

As at 1 October 2011

	Notes	**2011 £'000**	2010 £'000
Fixed assets			
Investments	4	**6,687**	3,358
Intangible assets	5	**—**	300
		6,687	3,658
Current assets			
Debtors	6	**4,097**	403
Cash at bank and in hand		**640**	5,331
		4,737	5,734
Creditors: amounts falling due within one year	7	**(1,354)**	(576)
Net current assets		**3,383**	5,158
Net assets		**10,070**	8,816
Capital and reserves			
Called up share capital	8	**567**	567
Share premium account	9	**5,369**	5,341
Equity – non distributable	9	**50**	41
Profit and loss account	9	**4,084**	2,867
Equity shareholders' funds	10	**10,070**	8,816

The notes on pages 54 to 56 form part of these financial statements.

Approved by the Board on 6 December 2011 and signed on its behalf by:

JTS Hayward
Director

Notes to the Company financial statements

1. Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 2006. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit for the financial year dealt within the financial statements of the holding Company was £2,021,000 (2010: £1,746,000).

Investments

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

Pensions

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

Share based payments

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

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

2. Employees

Average weekly number of employees, including Executive Directors:

	2011 Number	2010 Number
Administration	**4**	4

Staff costs, including Directors:

	2011 £'000	2010 £'000
Wages and salaries	**351**	239
Social security costs	**35**	31
Other pension costs	**19**	22
Share based payments	**12**	12
	417	304

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

3. Operating profit

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

4. Investments

	Investment in subsidiary companies £'000
Cost	
At 2 October 2010	3,358
Additions (see note 26 to the consolidated financial statements)	3,300
Acquisition costs	94
Inter-group transfer of shares in subsidiary undertakings	(74)
Share options granted to subsidiary company employees	9
At 1 October 2011	**6,687**

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

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

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

5. Intangible assets

	Licence and distribution agreement £'000
Cost	
At 2 October 2010	400
Transfer to CBG	(400)
At 1 October 2011	**—**
Amortisation	
At 2 October 2010	100
Transfer to CBG	(100)
At 1 October 2011	**—**
Net book value	
At 1 October 2011	**—**
At 2 October 2010	300

The licence and distribution agreement was transferred to CBG at book value during the year.

6. Debtors

	2011 £'000	2010 £'000
Amounts: falling due within one year		
Prepayments and accrued income	**49**	41
Amounts owed by Group companies	**4,048**	362
	4,097	403

Notes to the Company financial statements continued

7. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	**24**	35
Other tax and social security	**14**	7
Accruals and deferred income	**53**	69
Deferred consideration	**800**	—
Amounts owed to Group companies	**463**	465
	1,354	576

8. Share capital

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

9. Reserves

	Share premium account 2011 £'000	Equity – non distributable 2011 £'000	Profit and loss account 2011 £'000	Share premium account 2010 £'000	Equity – non distributable 2010 £'000	Profit and loss account 2010 £'000
At beginning of period	**5,341**	**41**	**2,867**	5,341	20	1,880
Profit for the financial period	**—**	**—**	**2,021**	—	—	1,746
Share option costs	**—**	**—**	**12**	—	—	12
Share options granted to subsidiary employees	**—**	**9**	**—**	—	21	—
Shares issued	**28**	**—**	**—**	—	—	—
Dividends	**—**	**—**	**(816)**	—	—	(771)
At end of period	**5,369**	**50**	**4,084**	5,341	41	2,867

10. Reconciliation of movements in equity shareholders' funds

	2011 £'000	2010 £'000
Equity shareholders' funds at beginning of period	**8,816**	7,808
Profit for the financial period	**2,021**	1,746
Dividends paid	**(816)**	(771)
Share option costs	**12**	12
Share options granted to subsidiary employees	**9**	21
Share issued	**28**	—
Equity shareholders' funds at end of period	**10,070**	8,816

11. Related party transactions

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

The interests of Directors' in dividends paid during the year are disclosed in note 6 to the consolidated financial statements.

Design and Production
www.carrkamasa.co.uk

Photography
Charlie Fawell

Print
www.thecolourhouse.com

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