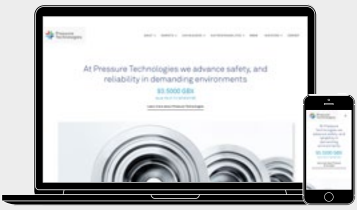
Pressure Technologies

ANNUAL REPORT 2019

Leading UK designers and manufacturers of high-integrity, safety-critical components and systems serving global supply chains in oil and gas, defence, industrial gases and hydrogen energy markets.

Please visit our website
for more information:
www.pressuretechnologies.com



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Our Vision

To build a Group that is globally recognised within our markets as the leading provider of pressure containment and control products and services to customers who operate in highly demanding, safety-critical environments where the consequences of product failure could be catastrophic.

Our Mission

To create value for our customers by enhancing the performance of their safety-critical supply chains and to advance safety and reliability in demanding environments through technology, high-quality engineering and the skills of our people.

OUR BUSINESSES

Our businesses work in close collaboration with our customers who require unique engineering solutions for their products used in harsh operating environments.

To read more see page 03

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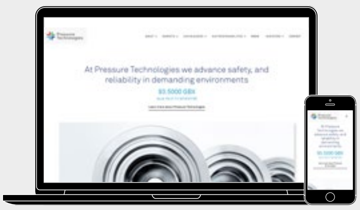

I am pleased with the significant improvement in trading performance this year. We have made important management and operational changes within the business over the course of the year. I am also pleased with the way our teams have responded during this transitional period and encouraged by the progress we have made with organisational development and culture that is key to delivering sustainable growth.

Chris Walters
Chief Executive

Group revenue*

£28.3M
(2018: £21.2m)

Adjusted earnings per share*

7.8P
(2018: 2.9p)

Gross profit margin

32.4%
(2018: 34.2%)

Reported basic loss per share

(2.1)P
(2018: (7.5)p)

Adjusted operating profit**

£2.2M
(2018: £1.0m)

Adjusted net operating cash inflow***

£2.0M
(2018: £1.9m)

Reported loss before tax

£0.5M
(2018: £1.7m)

Net debt

£11.4M
(2018: £6.7m)

* Continuing operations only excluding acquisition costs, amortisation on acquired businesses and exceptional charges and credits.
** Operating profit excluding acquisition costs, amortisation on acquired businesses and exceptional charges and credits.
*** Before cash outflow for exceptional costs.

CHESTERFIELD SPECIAL CYLINDERS

Operating for over a century, Chesterfield Special Cylinders designs and manufactures high-pressure gas containment systems and provides through-life integrity management services for safety-critical applications in defence, oil and gas, industrial and energy markets.

PRECISION MACHINED COMPONENTS

The Precision Machined Components division comprises the Roota Engineering, Quadscot Precision Engineering, Al-Met and Martract brands, with world-class lead times, highly specialised precision engineering skills and a blue chip customer base in the global oil and gas market.

Focused on keeping us at the forefront of engineering excellence

BUSINESS MODEL

We are UK based with our divisions serving a global blue chip customer base working in close collaboration with our customers who require unique engineering solutions for their products used in harsh operating environments in the oil and gas, defence, industrial gases and hydrogen energy sectors.

WHO WE ARE

AIM listed group, headquartered in Sheffield, England, operating through two manufacturing divisions over five sites with over 220 people across the UK and Europe.

WHAT WE DO

Leading UK designers and manufacturers of high-integrity, safety-critical components and systems serving global supply chains in oil and gas, defence, industrial gases and hydrogen energy markets.

To read more see page 10

Oil and Gas

Defence

Industrial gases

Hydrogen energy

INVESTING IN KEY AREAS OF OUR BUSINESS

1. Investment in our people

The success of the Group comes from our people. Our performance and our reputation are achieved through their skills, experience and relationships.

To read more see page 18

2. Investment in technology

Investment in new equipment and technology skills enables us to deliver an extended range of products, while improving quality and efficiency.

3. Investing in our culture

Organisational development and culture is key to delivering sustainable growth and continuous improvement.

WHAT WE VALUE MOST

Everything we do as a company stems from our core values.

Honesty

Integrity

Service

Teamwork

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OUR BUSINESSES

CHESTERFIELD SPECIAL CYLINDERS

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

CSC's high pressure cylinders are a critical component for a number of end applications from defence submarines, to oxygen cylinders in fighter jets, the bulk storage of gases to ultra large air pressure vessel systems used for motion compensation on floating oil rigs.

Integrity Management services are a growing part of the business, where cylinders cannot be removed for routine maintenance and are inspected and certified 'in-situ'. The service has been built on CSC's unrivalled industry knowledge and experience.

To read more see page 14

Revenue

£13.9M

Profit

£2.1M

PRECISION MACHINED COMPONENTS

The Precision Machined Components (PMC) division comprises the four brands of Roota Engineering, Quadscot Precision Engineering, Al-Met and Martract.

These brands are leaders in their markets, with world-class lead times, highly specialised precision engineering skills and a blue chip customer base. Strong partnerships are formed with customers to develop technical solutions for their end product applications.

Serving the oil and gas market, these businesses specialise in supplying key components, made from super alloys, manufactured to exacting standards and tolerances, that are destined for extreme or hostile environments such as deepwater and subsea oil exploration and wear parts for offshore and onshore oil production.

To read more see page 15

Revenue

£14.4M

Profit

£1.9M

Committed to delivering quality and value

Neil MacDonald
Independent Non-Executive Chairman

Good progress has been made in both divisions with positive market conditions prevailing and, whilst 2019 had its challenges, I am pleased to report substantially improved trading results.

As Chairman of the Board I have a clear focus on good governance and ensuring that the Company stays on track to success.

Our Stakeholders
To read more see page 06

Audit and Risk Committee Report
To read more see page 42

Overview

Many steps have been taken to prepare the business for the improving conditions in our core markets. As momentum builds in the oil and gas industry and our presence grows further in global defence markets and the emerging hydrogen energy sector, we have strengthened and diversified our order book and have a clearer view of our customers' project pipeline today than at any point in the past five years.

The strategy review undertaken during the first half of the year confirmed focus on organic growth opportunities and I am pleased with the progress made in this phase of executing the strategy.

As reported at the interim results, we were pleased to complete in June the sale of our Alternative Energy division to Vancouver-based Creation Capital Corporation LLC, now renamed Greenlane Renewables Inc. This strategic divestment gives the Group a clear focus on the growth and development of its core specialist engineering activities.

In the remaining Group businesses, key initiatives covering sales effectiveness, production planning and efficiency, engineering processes and supply chain management are expected to drive the delivery of organic revenue growth and margin improvement, which is a key priority in the second phase of our strategy.

Results

Overall Group revenue increased by 34% to £28.3 million (2018: £21.2 million) and the adjusted operating profit for the period increased to £2.2 million (2018: £1.0 million). This improvement represents an increase in return on revenue to 8% (2018: 5%) and reflects, in particular, the strength of UK and overseas defence projects in our Chesterfield Special Cylinders division (CSC).

Favourable conditions in the oil and gas market have driven higher revenue and profitability in our Precision Machined Components (PMC) division this year and the order book is at the highest level for five years. However, operational improvements have been slower to come through than we had planned, impacting performance through the second half. The changes made over the past year have been fundamental to building a stronger and more scalable base for PMC that will help us realise the potential for growth.

It remains a priority to reduce the overall leverage of the Group, whilst supporting the business with the capital investment programme and achieving a minimum 20% headroom in our facility covenants. The Group's Revolving Credit Facility (RCF) was renegotiated in September and the new facility was fully documented and signed post year end on 10 December 2019.

The Board has again resolved that no dividend shall be paid to shareholders this year as investment in the organic growth strategy remains the priority for capitalising on the improving market conditions.

In November we announced that a trial had commenced in respect of the prosecution by the Health & Safety Executive (HSE) following the fatal accident at CSC in June 2015. At the conclusion of the trial, in late November, the jury delivered a guilty verdict pursuant to Section 2 of the Health and Safety at Work Act 1974 and we await the sentencing hearing which is now expected to take place in the New Year. The outcome of the sentencing hearing is uncertain and whilst the range of possible outcomes is significant, the Directors are satisfied that the Group can continue to prepare its financial statements on a going concern basis. Further details are in Note 31 to these financial statements.

People

We have recently received the results from our second people engagement survey undertaken with 'Best Companies'. This shows encouraging progress with an increase in both the number of respondents and engagement scores and it is pleasing to note that a number of respondent groups have been classed as 'Ones to Watch'. I would like to thank all our teams for their hard work throughout the year and their contributions during a period of significant change.

We reported in June that we were looking to strengthen the Board. The search and selection process is nearing completion and we expect to make new non-executive appointments early in the New Year.

Outlook

The current trading performance, order intake and strategic progress made in both divisions give the Board confidence in the outlook for 2020.

Neil MacDonald
Independent
Non-Executive
Chairman

17 December 2019

Breakthrough customer: IM gains multiple periodic inspection and testing contracts for Rever Offshore

CSC's Integrity Management team has secured multiple contracts with Rever Offshore, one of the world's leading subsea construction and offshore management services providers.

IM's acoustic emission testing techniques are winning new work because they demonstrate many advantages over traditional hydro testing, including speed, budget and – importantly – keeping water out of safety-critical cylinders.

Breakthrough customer: CSC's £3 million-plus contract with EDF Energy

CSC has won a contract valued in excess of £3 million to supply nitrogen storage solutions to EDF Energy's UK nuclear power plants at Heysham, Torness and Hartlepool.

This highly prestigious design and supply contract follows a successful collaboration with the EDF Energy team. The turn-key solution incorporates an innovative modular design for the cylinder assemblies optimised for through-life integrity management and recertification.

Responding to our stakeholders' needs

The Board fully recognises that long-term growth and profitability are enhanced when businesses behave in a sustainable and responsible manner, with respect for the environment and all stakeholders. The Group's stakeholders include Customers, Employees, Shareholders, and the communities in which the Group's businesses operate. The Company actively encourages good communications with all stakeholders.

OUR STAKEHOLDERS

CUSTOMERS

We do this by

Our customers are pioneers in what they do.

We work in close collaboration with them to develop technical solutions for their engineering needs and produce products that can be trusted to deliver in environments where failure would be catastrophic.

Customer feedback helps us measure customer satisfaction. Customer satisfaction and loyalty are crucial factors that determine our financial performance and we look to improve this constantly.

Key areas of interest

- Our customers are essential to the successful delivery of our products and their outcomes.
- Building and maintaining robust relationships and maintaining an appropriate level of communication with our customers will ensure that:
    - they receive the information they require;
    - they are consulted;
    - their needs and requirements are heard and actioned; and
    - there is a formal feedback process in place.

EMPLOYEES

We do this by

It is the policy of the Group to communicate with employees by employee representation on works and staff committees and by regular briefing meetings conducted by senior management. A long-term view of the business is encouraged through the provision of defined contribution pension schemes and SAYE share option schemes for UK based employees and Long Term Incentive Plans ("LTIPs") for the senior management team.

We implemented the Group's first "Employee Engagement Survey" in January 2018 and the second survey has recently concluded. We recently received a great 71% response rate with very pleasing results and positive progress in many areas. The survey is intended to provide a benchmark for continual improvement.

Key areas of interest

- Committed, well trained, highly skilled and motivated employees are at the heart of our business.
- We strive to create a working environment where our employees can fulfil their potential by offering training, career opportunities and a platform for innovation.
- By doing this, we get the best from our people who enjoy working with us.

SHAREHOLDERS

Through strong management, we have demonstrated resilience during challenging market conditions, responding to changing environments and reviewing the focus of the Group to ensure we remain well positioned to deliver value to shareholders.

The Chief Executive and Chief Financial Officer meet regularly with the Group's larger financial investors.

- The Company actively encourages good communication with all shareholders from the largest to the smallest.
- Feedback is obtained following all investor meetings and this is reviewed by the Board.
- The executives will often host or attend events for new and existing private investors.
- The Company has always aimed to accommodate investors who wish to visit its manufacturing sites.

COMMUNITY

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.

To support the launch of our Health and Wellbeing initiative, the Group has made MIND, the mental health charity, its nominated charity for 2019.

The Group also continues to support local charities and employees who individually raise money for charities lose to their heart.

- 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.
- Employees are given as much information, training and equipment as is necessary to enable them to undertake their work with the minimum impact on the environment.

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Vision for Growth

Creating value for investors, customers, colleagues and the communities we operate in through:

- Quality of our products and services
- Financial Performance – revenue, operating profit, EPS, dividend
- Customer Preference – market share, repeat business, new customers
- Operational Excellence – margins, lead times, supply chain performance

Our Vision
To build a Group that is globally recognised within our markets as the leading provider of pressure containment and control products and services to customers who operate in highly demanding, safety-critical environments where the consequences of product failure could be catastrophic.

The Group is well placed to take advantage of improving market conditions and realise the benefits of the investment in people, new equipment and supporting processes.
To find out more please see the Business Review on pages 12 to 17.

Our Strategy
In March 2019, we completed a strategic review and set out the vision for growth in three phases:

1. Refocus
2. Deliver Organic Growth
3. Accelerate Growth and Build Scale

PHASED APPROACH

Phase 1 - Refocus

Divestment of non-core divisions
- Completed sale of Hydratron in June 2018.
- Completed sale of the Alternative Energy division in June 2019.
- Group now focused on its two core divisions.

Recover profitability and cash generation
- Increase in adjusted operating profit and Return on Revenue increased by 2.9ppt in 2019.
- Ongoing investment in advanced CNC machine tools across the Group to improve productivity and increase the range and scope of products.
- Operating cash inflows from continuing operations in 2019, although working capital was higher than internal targets at the year end.

Confirm strategic focus and growth plans
- Strategy review undertaken and strategic focus areas and priorities set out in the 2019 interims.
- Management changes and reorganisation to bring clearer accountability in both divisional teams.
- Integrated divisional operating structure implemented in PMC.
- Appointment of a Group Head of IT to advance systems and infrastructure to support operational improvements and enhanced information security.
- Appointment of HR business partners to support management teams to navigate change effectively, enable recruitment and training and address welfare matters.

2019

2020

Phase 2 – Deliver Organic Growth

Grow revenue and margin from existing and new customers

- Increase in revenue across the Group from existing and new customers.
- 27% increase in order intake compared to the same period in 2018 in PMC.
- New customers in both divisions and a substantial contract with EDF Energy for Chesterfield Special Cylinders for delivery in 2020.
- New customer acquisitions in PMC.

Grow revenue and margin from extended product scopes and emerging sectors

- Investment in advanced CNC machine tools across the Group which adds capability, scope and efficiencies.
- Delivery of first projects into the Hydrogen Energy sector by CSC.
- New product scope and size delivered by PMC.
- Qualifying R&D projects supported new product development.

Grow margins through operational improvements and growth

- £0.8 million has been invested in IT systems and infrastructure to support operational improvements.
- Commenced operational improvements to deliver growth in margins.

Phase 3 – Accelerate Growth and Build Scale

Growth from new sectors
Growth from new regions
Scale from acquisitions

- Our priority is to demonstrate the organic growth potential of the focused Group, but we continue to appraise growth and development through acquisition where we see opportunity to advance our scale, technical capability and reach into new sectors and regions.

2021

2022

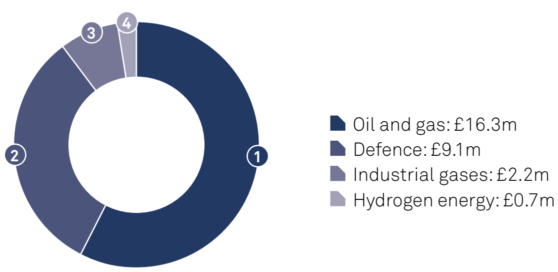
2023

Adapting in a dynamic market

During the last year our two key markets, oil and gas and defence, have shown strong growth which is predicted to continue and constituted nearly 90% of the Group's revenue in 2019. Growth in the emerging hydrogen energy supply chain is a key area of focus with the first orders into this sector being delivered in 2019.

How we reacted
We have remained focused on increasing the capability, scale and reach of the Group's core specialist manufacturing activities in target oil and gas and defence markets. We are well placed to take advantage of improving market conditions and realise the benefits of the investment in people, new equipment and supporting processes.

Market Revenue



OIL AND GAS

This market is primarily served by businesses in our Precision Machined Components division but also by our Cylinders division.

The precision machining businesses in the Group are leaders in their markets, supplying high integrity components for subsea applications to global oil services companies. The Group has embraced the shift to collaborative working and invested in sales and technical capabilities.

Cylinders are focused on defence, and will benefit from an upturn in the oil and gas sector, with demand for its motion compensation systems on offshore oil platforms anticipated to recover in 2021.

DEFENCE

CSC has long-term contracts to supply bespoke products and services for the key submarine build programmes and for surface vessels such as the Type 26 Frigate. Its status as the leading global supplier of high pressure gas storage solutions to NATO member states and NATO-friendly nations remains stronger than ever, underpinned by the growing importance of Chesterfield Integrity Management (CSC IM), which is the principal provider of inspection and testing services to the MoD for ongoing cylinder performance and safety management on the Astute, Vanguard and Trafalgar classes of nuclear submarines.

CSC IM's five year strategy to develop a long-term defence sector order book through its German office continues to secure contracts with a growing number of navies around the world.

INDUSTRIAL GASES

This market is predominantly served by our Cylinders division but also by Martract, a business within our Precision Machined Components division.

This market crosses multiple sectors for CSC including cryogenics and bulk gas transport and storage, as well as scientific research facilities and universities. As disciplines such as cryogenics continue to expand, the demand for bespoke, high quality gas containment systems also grows, driven by safety and control requirements. The growth of gas management systems within the higher education sector is being driven by the expansion of vocational and practical courses nationally and internationally.

HYDROGEN ENERGY

Growth in the emerging hydrogen energy supply chain is a key area of focus, with two orders for large high-pressure ground storage cylinders secured over the past year for projects in the UK and overseas. With a dedicated hydrogen solutions team and extensive sales pipeline, we are well positioned to secure a strong share of this market as it expands further in the UK and globally.

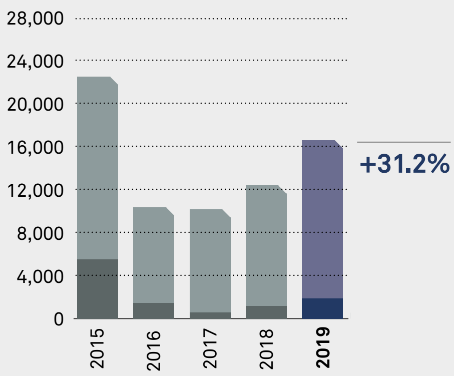
CSC
PMC

POTENTIAL

Global demand for oil remains strong at near 100 million barrels per day (mbd), supported by growth from emerging markets. The low oil price environment of recent years has seen large scale investment cuts in oil exploration, resulting in fewer oil discoveries. With an oil price above $50, confidence to sanction new projects has returned.

The sustained low oil price environment of recent years has advanced technical innovation in the oil service industry and reduced the cost of oil exploration and production. An era of collaboration between the oil service majors and component manufacturers now exists to produce parts more efficiently, on a 'cost-out' basis, without compromising integrity and often improving it.

Revenue (£'000)

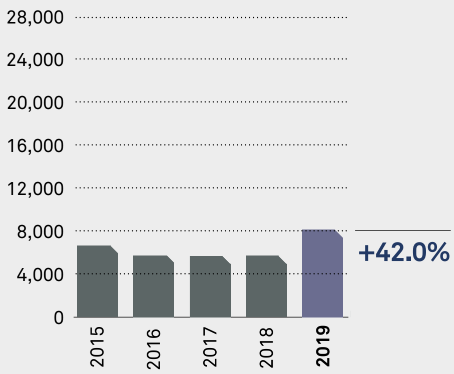


POTENTIAL

The current defence spending is being driven by the need to update ageing warcraft and pressure from the US for NATO allies to increase defence spending.

Military spending globally is at record levels, having risen to $1.74 trillion in 2017. In the UK, the MoD spend for 2018/19 was £38 billion. The committed spend over the next 10 years is almost £180 billion, £44 billion of which is on submarines, principally Dreadnought, and £19 billion on ships, including the Type 26 Frigate.

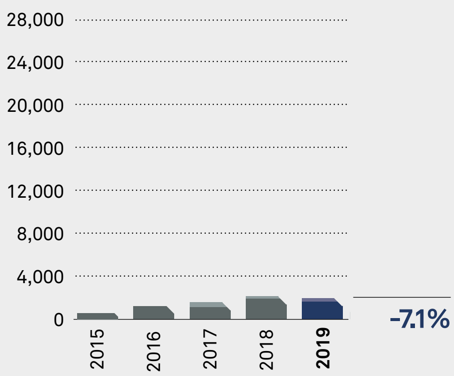
Revenue (£'000)



POTENTIAL

CSC provides both storage solutions and inspection, reconditioning and retest services. The industry has a CAGR of 7.7% and further opportunities for CSC will come from education, nuclear power, gas storage, and scientific research. CSC is renowned across the UK higher education sector for its ability to meet the highest design and manufacturing standards.

Revenue (£'000)

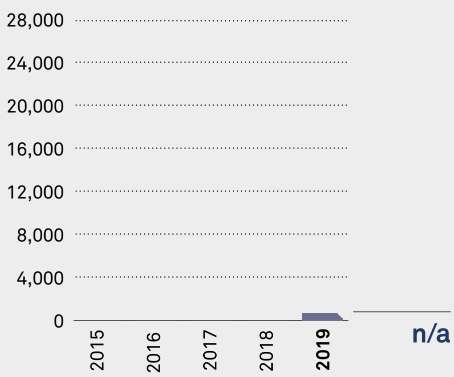


POTENTIAL

The growth in renewable energy as part of the energy mix is driving the need for gas storage, particularly hydrogen and as the hydrogen market grows so too does the need for gas storage, creating opportunities for CSC in particular with refuelling stations for mass transport.

This sector has the potential to become a significant long-term growth opportunity.

Revenue (£'000)



Strategic progress and market conditions underpin our outlook

Chris Walters
Chief Executive

The past year has been a period of significant change for the Group and I am pleased with the developments and progress we have made.

When I joined the business just over a year ago, I commented that we were preparing for improving conditions in the oil and gas market and these conditions have contributed to a considerable improvement in our trading performance.

We have made important management and operational changes within the business over the course of the year. I am pleased with the way our teams have responded during this transitional period and have been encouraged by the progress made with organisational development and culture that is key to delivering sustainable growth and continuous improvement.

Good strategic progress and the favourable conditions in core markets underpin our confidence in the outlook for 2020. Both divisions hold strong order books with reduced customer concentrations and have recently posted record contract wins from an increasingly diverse and buoyant sales pipeline.

Performance

£ million revenue	2019	2018	2017	2016
Group Revenue	**28.3**	21.2	18.8	20.3
Oil and Gas	**16.3**	12.4	10.6	12.5
Defence	**9.1**	6.4	6.4	6.5
Industrial Gases	**2.2**	2.4	1.8	1.3
Hydrogen Energy	**0.7**	—	—	—
Group Operating Profit	**2.2**	1.0	1.6	1.0

Overall Group revenue for the year was £28.3 million (2018: £21.2 million), up 34% as a result of stronger performance in both divisions, driven by UK and overseas defence contracts, increasing momentum in the oil and gas market and the delivery of our first orders to hydrogen energy customers.

Adjusted operating profit more than doubled to £2.2 million (2018: £1.0 million), driven by increased revenue in both divisions, but offset by a lower overall gross margin and investment in operational improvements, sales and support functions.

Order backlog and delayed output increased working capital and slowed cash generation, especially during the second half. Overall leverage remains higher than our internal target of 20% headroom, with debt levels impacted further by cash outflows in the year from discontinued operations. We expect working capital to unwind early in 2020 as the order backlog clears and operational initiatives take effect, delivering shorter lead times, improved margins and recovering cash flows.

The strategy review undertaken during the first half of the year confirmed areas of strategic focus and at the interims we set out our three-phase vision for growth over the next five years. Priorities for the first phase included the divestment of non-core divisions, returning the Group to profitable trading and establishing the foundations for organic growth in the second phase.

I am pleased to report that we have made good progress in the first phase, with the divestment of the Alternative Energy division in June, enabling the Group to focus on its core divisions. We have started to demonstrate the Group's organic growth potential across both divisions, with increased sales volume from existing customers, new customer acquisitions and major contract wins in new target markets. Investment in new equipment and skills has enabled us to deliver an extended range of products, while improving quality and efficiency.

Looking beyond the financial performance, there are encouraging signs of the cultural and behavioural changes necessary to deliver stronger performance and sustainable growth. Further progress has been made in modernising and standardising people management policies with dedicated HR support in each division. This has helped the divisional management teams navigate recent changes effectively and enabled recruitment, training and welfare issues to be managed successfully across the divisions. We have also strengthened our IT systems and infrastructure during the year to support operational improvements and enhanced information security.

£28.3M
Group revenue

£2.2M
Adjusted operating profit

Further progress has been made in modernising and standardising people management policies with dedicated HR support in each division.

Strategic Report | Governance | Financial Statements

CHESTERFIELD SPECIAL CYLINDERS (CSC)

£ million revenue	2019	2018	2017	2016
Divisional Revenue	**13.9**	9.9	8.4	9.5
Oil and Gas	**2.2**	1.4	0.8	1.8
Defence	**9.1**	6.4	6.4	6.4
Industrial Gases	**1.9**	2.1	1.2	1.3
Hydrogen Energy	**0.7**	—	—	—
Gross Margin	**36%**	35%	41%	34%
Operating Profit	**2.1**	1.1	1.1	1.1
Return on Revenue	**15%**	11%	13%	11%

Divisional revenue for the year was up 39% to £13.9 million (2018: £9.9 million), driven by UK and export defence contracts, offshore drilling unit air pressure vessel orders, Integrity Management deployments and our first cylinder deliveries for hydrogen refuelling station projects.

Total defence market revenue increased by 42% to £9.1 million (2018: £6.4 million), representing 66% of divisional sales. Revenue for the supply of ultra-large cylinders to UK defence contracts nearly doubled to £4.1 million (2018: £2.1 million), driven by the phasing of activity on the Dreadnought submarine programme. Revenue for export naval contracts increased by 12% to £3.2 million (2018: £2.8 million) for new construction projects in Germany, France and South Korea.

Total oil and gas market revenue increased by 55% to £2.2 million (2018: £1.4 million), representing 16% of divisional sales. Performance was driven by ultra-large cylinder demand for semi-submersible drilling unit projects in Singapore for our new customer MH Wirth.

The first ultra-large cylinders for hydrogen refuelling stations in the UK and France delivered revenues of £0.7 million, representing 5% of divisional sales in 2019 and demonstrating strategic progress in this exciting target market.

Industrial gases market revenue fell to £1.9 million (2018: £2.1 million) due to a reduction in space programme projects, but the order book was strengthened significantly at year end with a major contract win with EDF Energy.

Integrity Management services delivered strong growth for the fourth consecutive year, with total revenue up 48% to £1.2 million (2018: £0.8 million). Revenue from UK naval deployments increased by 82% to £0.6 million, driven by the steady increase in adoption of in-situ inspection and recertification across the UK submarine and surface vessel fleets. Non-naval revenues increased by 18% to £0.2 million with major new customer acquisitions in the diving support vessel market.

Overall divisional gross margin increased to 36% (2018: 35%), with higher margin UK naval projects in the first half offset by export naval contracts and non-defence projects in the second half.

Operating profit for the division increased by £1.0 million to £2.1 million (2018: £1.1 million) and return on revenue increased to 15% (2018: 11%).

We have focused on the key strategic initiatives set out previously at the interims to support the organic growth plan and the results of these changes have already been seen with the division securing new projects in both traditional and new target markets. The investment in technology made this year will advance our handling and finishing processes, bringing improved production efficiency and throughput capacity that will underpin the delivery of improved margins.

Successful diversification into the nuclear power generation market came during the year with our largest ever non-defence contract award from EDF Energy for the supply of ultra-large nitrogen storage cylinders to four sites in the UK. This market also presents a major recurring revenue opportunity for through-life technical support and Integrity Management services for installed cylinder fleets in the UK and worldwide.

I am pleased with performance for the year at CSC and with the progress made in strategic focus areas. The order book for 2020 is strong and the division is well positioned to benefit from exciting opportunities in the sales pipeline across all target markets.

£13.9M
Divisional revenue

£2.1M
Divisional operating profit

PRECISION MACHINED COMPONENTS (PMC)

£ million revenue	2019	2018	2017	2016
Divisional Revenue	14.4	11.2	10.4	10.7
Oil and Gas	14.0	11.0	9.8	10.7
Industrial Gases	0.4	0.2	0.6	—
Gross Margin	29%	33%	35%	31%
Operating Profit	1.9	1.5	1.8	1.4
Return on Revenue	13%	13%	18%	13%

Divisional revenue for the year was £14.4 million (2018: £11.2 million), up 30% as a result of increased order volumes from oil and gas customers as momentum continues to build in the market.

Demand for highly specialised drilling, production and valve components from OEM customers increased sharply in the first half of the year and steadily thereafter, driven by the continuing recovery in global exploration and production activity.

Market dynamics and improved sales effectiveness helped increase order intake by 27% over the year to September 2019. However, the sharp upturn in order intake and customer demand for shorter lead times strained the PMC businesses as capacity and operational improvements lagged the increase in secured orders. This resulted in delayed output and adversely affected margins and cash flows in the second half. Delays were compounded by constraints in the supply chain for specialist coatings and treatments, which further extended delivery schedules. To address this, management and operational changes were made during the year, along with significant capacity increases and improvements to production planning and the management of subcontracted processes. Good progress has been made with the recovery of on-time delivery performance as noted by our customers and the improvement of margins and cash generation is expected in the first half of 2020.

Changes made to drive the turnaround at the Quadscot site, after four years of loss making performance, failed to deliver sufficient improvement through the first half. Output delays and increasing backlog through the second half resulted in site output falling significantly behind plan, which adversely impacted divisional performance and contributed to a lower than forecast improvement in margin for the second half. However, operational improvements made since year end have positioned Quadscot to recover profitability and be a positive contributor to the division in 2020. These changes demonstrate the developments that have been required during the initial phase of the strategy.

Overall divisional gross margin reduced to 29% (2018: 33%), impacted by the delayed output, new customer onboarding, extended commissioning of new machining centres and early recruitment to build operational capacity.

Operating profit for the division increased by 25% to £1.9 million (2018: £1.5 million). Return on revenue remained flat at 13%.

The strengthening of the divisional sales team with assigned responsibilities for key accounts has delivered significant growth from existing and returning customers across all sites. Considerable progress was also made during the year with new major customer acquisitions, including Halliburton, GE Baker Hughes, TechnipFMC, Aker and Schlumberger, widening regional coverage and extending product scope. Revenues from new customers represented 11% of the divisional total in 2019 and more than 35% at both Quadscot and Martract sites, showing good progress in reducing long-standing customer concentrations.

Production headcount increased significantly over the year and further recruitment is ongoing for specialist skills in milling, turning and grinding at all sites to support the growing order book and improving outlook. The introduction of seven new advanced CNC machine tools during the year completed the current planned capital expenditure programme, with no major expenditure planned for 2020. The new machine tools have extended product scope and range to meet the current and future demand from our target customers and to compete in new areas. This major investment will help shorten lead times and improve margins across a wider product range.

Management changes and the new divisional operating structure for PMC have been fundamental to planning for sustainable growth and underpin scalability across the division. New leadership and the integrated structure have enabled improved collaboration between site teams and a single business information system now gives visibility of performance in sales, production, quality and safety across the division. Centralised production planning implemented in the second half supports increased sharing and utilisation of capacity and skills between sites and will improve margins and reduce lead times.

It has taken longer than expected to address and recover performance in the division, but I am pleased with the progress made more recently with operational improvements, lead time reduction and the recovery of quality and on-time delivery performance, as better planning, production control and supplier management take effect across all sites.

£14.4M
Divisional revenue

£1.9M
Divisional operating profit

Strategic progress

In March 2019, we completed a strategic review and set out the vision for growth in three phases:

Phase 1 – Refocus (to mid-2020)
- Divestment of non-core divisions
- Recover profitability and cash generation
- Confirm strategic focus areas, develop growth plans

Phase 2 – Deliver Organic Growth (from mid-2019)
- Grow revenue and margin from existing and new customers
- Grow revenue and margin from extended product scopes and emerging sectors
- Grow margins through operational improvements

Phase 3 – Accelerate Growth & Build Scale (from late-2021)
- Growth from new sectors
- Growth from new regions and regional operations
- Scale from acquisitions

As reported, progress has been made under Phase 1 with the divestment of the Alternative Energy division in the year and the Engineered Products division in the prior year. The recovery of profitable performance and cash generation for the remaining two divisions is clear in the reported results and further progress is expected. The strategy review confirmed the areas of strategic focus and the key initiatives that will deliver growth and create value over the next three to five years.

Organic growth has already been demonstrated in both divisions, with increased revenue from existing customers, new customer acquisitions and major contract wins in new target markets. We have also started to see the positive impact of investment in new equipment through improved product scope, quality performance and efficiency gains. This strategic progress supports the divisional outlook for 2020 and beyond.

Outlook

Chesterfield Special Cylinders

The outlook for UK naval contracts remains strong, with order book visibility to 2023 for Dreadnought submarine and Type-26 frigate programmes. The strategic focus for UK naval programmes is to increase contract margins through stronger project management, operational improvements and supply chain efficiencies. Savings have already been identified in the supply chain and are expected to deliver margin improvements for UK and export projects from 2020.

Export defence contracts were strong in 2019, but project phasing will drive fewer orders and lower revenues in 2020. A recovery of submarine build programmes for foreign navies is expected in 2021, with major projects in the pipeline for the Australian and Indonesian navies. As the preferred supplier to the world's NATO-friendly navies, the strategic focus is to maximise our share of new construction programmes and to develop an export market for through-life technical support and Integrity Management services, thereby growing recurring revenue and margin from in-situ testing and recertification.

The outlook in oil and gas markets for drilling unit air pressure vessels and diving support systems remains unpredictable, but we are well positioned for a recovery and the opportunity pipeline is currently stronger for 2020 and 2021 than previously expected. We are seeing a slow but steady increase in new project enquiries for air pressure vessels, with returning customers looking for product and system innovation, where we can add value.

Momentum is building steadily in the hydrogen energy market as the focus on low-emission and low-carbon transportation and power generation increases globally. Following the delivery of two breakthrough contracts over the past year for projects in the UK and Europe, we are well positioned to win further contracts independently and with our tendering partners for the supply and through-life support of ultra-large high pressure cylinders for hydrogen refuelling stations worldwide. A new contract was secured post year end with another major hydrogen refuelling systems integrator and a growing opportunities pipeline underpins our confidence in the outlook for significant growth in this strategic focus area from 2021.

> Following the delivery of two breakthrough hydrogen energy contracts over the past year for projects in the UK and Europe, we are well positioned to win further contracts independently.

Our Integrity Management services are highly valued by existing customers and have tremendous growth potential in the UK and worldwide. The outlook for these recurring revenue services remains positive with increasing demand from the UK submarine and surface vessel fleet maintenance programme for in-situ cylinder testing and recertification. Diving support vessel contracts are expected to deliver further growth for in-situ inspection in 2020, following several new customer acquisitions and increasing offshore activity.

Precision Machined Components

Momentum in the oil and gas market continues and demand for highly specialised drilling, production and valve components from existing and new customers is expected to remain strong through 2020. Our customers forecast further growth in 2021 as activity ramps up on their offshore engineering projects in the US Gulf of Mexico, South America, West Africa, Australia and the North Sea.

We have increasingly diverse opportunities in a growing sales pipeline. Deep water subsea tree components, landing strings and flow control and valve assemblies have been dominant, while enquiries for down-hole analytic components are growing steadily.

New product development undertaken with customers during 2018 and 2019 has resulted in orders for 2020 delivery, demonstrating the value of time invested in these collaborative projects.

I am pleased to report that order intake continued to accelerate post year end, with record levels in November 2019 and the highest 12-month intake for over five years. The Al-Met team secured their largest ever contract from a major oilfield services customer, providing recurring monthly revenues for the year ahead. The divisional order book at the end of November 2019 was 70% higher than in 2018, with the Roota site having increased their order book threefold in 12 months. The Quadscot site continues to show strong growth from newly acquired customers, with an order book over 40% higher than at year end.

The completion of divisional integration and operational improvements together with new machine tools and the ongoing investment in capacity are expected to increase margins in the year ahead and allow the division to capitalise further on opportunities for growth and diversification in a strong oil and gas market.

We remain committed to creating value for shareholders through the delivery of our vision for growth. Strategic progress and favourable conditions in target markets underpin confidence in the outlook for 2020, with both divisions holding strong order books, posting recent major contract wins and seeing increasingly diverse opportunities in the sales pipeline. Our focus is to ensure that operational performance, margins and cash generation keep pace with the progress made in sales.

I look forward to the year ahead with confidence as we start to see the benefits of operational changes and strategic progress made during the course of this year. I would like to thank the management team and all colleagues for their commitment and support through this busy year of change.

Chris Walters
Chief Executive

17 December 2019

Investing in and supporting our business and communities

CSC and PMC at its Roota Engineering ("Roota") operation have both made major investments in new machinery and equipment to improve their manufacturing capabilities and to meet rising demand for their specialist products.

At CSC, the installation of a DMG four-axis horizontal milling machine followed the securing of new orders for safety-critical gas storage systems from various NATO navies globally and from the nuclear power sector, most notably the £3 million-plus contract from EDF Energy.

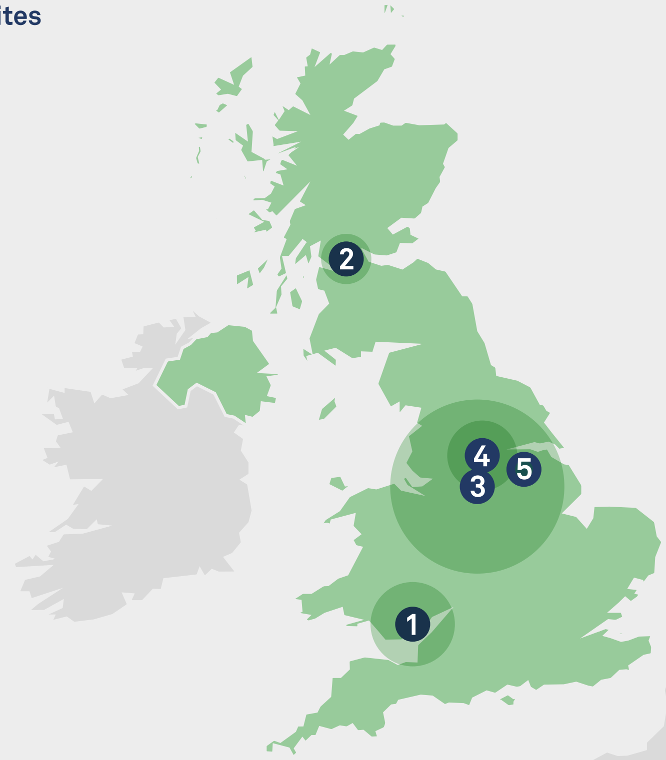
The new machine features a bespoke loading mechanism for CSC's specialist requirements and takes the company forward in terms of capacity and capabilities, as well as improving the control and monitoring of the manufacturing process thanks to its integration features.

Additionally, CSC has upgraded its shot-blasting booth and committed to a state-of-the-art Ultrasonic Testing robotic system.

Over in Rotherham, Roota is also a beneficiary of the Group's £2 million investment programme having taken delivery of a new Soraluce milling machine which gives an extra dimension to our milling capabilities.

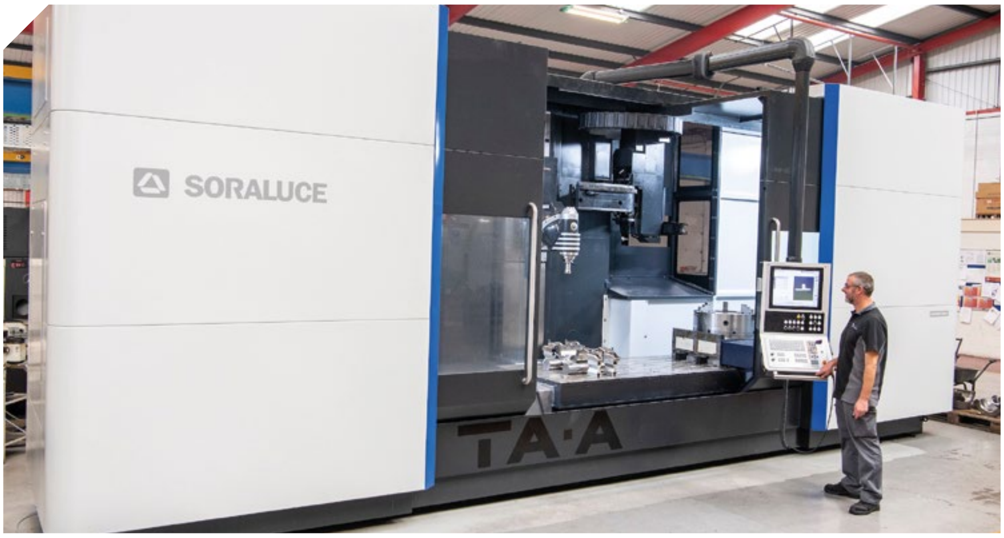
The investment at Roota is designed to boost productivity following a major sales drive into all four of the PMC division's target sectors – oil and gas, nuclear, defence and petrochemical. It will also enable the division to produce more complex and intricate products, reduce turnaround times and extend its manufacturing capabilities.

Our Sites



Number of Employees

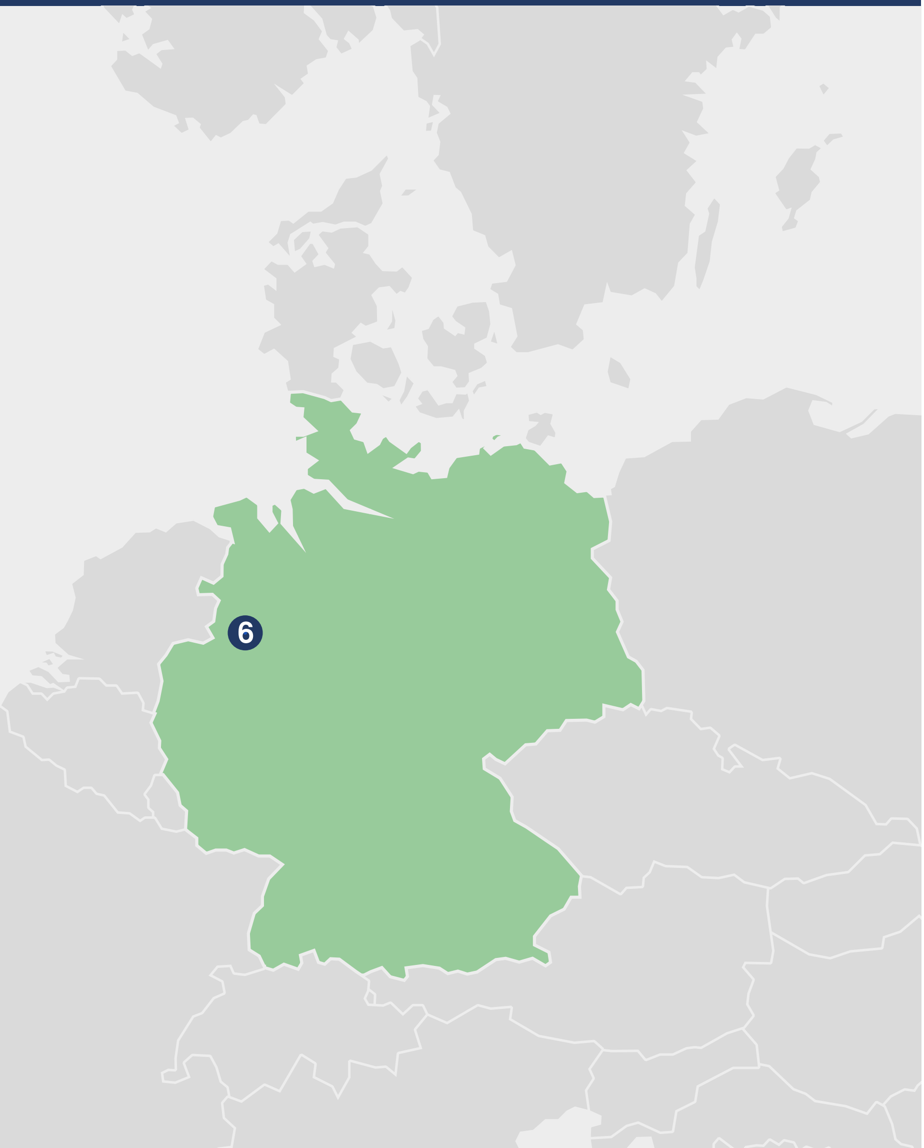
1 Al-Met: **47**
2 Quadscot: **28**
3 CSC/Head Office: **97**
4 Roota: **39**
5 Martract: **10**
6 CSC Germany: **2**



£2.8M
Investment in machine tools

>70%
Response rate to employee engagement survey

223
Total number of employees



EMPLOYEE RETENTION

25%
>10 years' service

11%
>20 years' service

5%
>30 years' service

Serena Walks the Walk...In a Kilt

Across the Pressure Technologies Group people are committed to contributing to their local communities. Active either as volunteers or charity fundraisers, the PT team reflects a positive and forward-looking ethos that sees them playing a key part in helping others and taking responsibility outside the work environment.

At Quadscot, administrator Serena Khan and her friends raised an impressive £3,367 for Glasgow Children's Hospital by taking part in the 2019 Kilt Walk, an arduous 23-mile route from central Glasgow all the way to the bonnie, bonnie banks of Loch Lomond while wearing the traditional Scottish garment. Serena joined more than 13,000 other participants in what was the biggest ever Kilt Walk, an annual event in various cities across Scotland where everyone taking part must wear a kilt.

No Holds Barred for MMA Fundraiser

Nothing quite so gentle for CSC's Josh Parkin who, having already conquered all-comers in his charity boxing matches, returned to the ring for a second major battle to raise funds for Cancer Research UK. This time 'Jabbing' Josh upped the ante by participating in an MMA (mixed martial arts) fight at Sheffield United's Bramall Lane where he not only beat his opponent on points but also smashed his fundraising target for Cancer Research UK.

Josh's MMA fight was a much tougher physical challenge than his previous efforts as it combined boxing with wrestling moves, judo, jiu-jitsu and karate among other contact sports. MMA rules allow all manner of punches, kicks and knees to the body and legs, as well as punches to the head while standing, choke holds and slams.

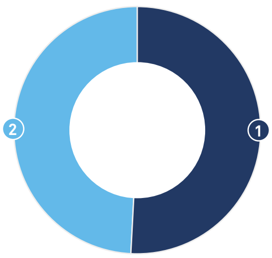
A victorious Josh nursed his wounds but was proud of his fundraising efforts.

Focused on balancing investment and net debt reduction

Joanna Allen
Chief Financial Officer

> In the short term, the financial priority continues to be focused on the reduction of net debt with working capital management at the fore.

Revenue Split



Total: £28.3m

Precision Machined Components: £14.4m

Chesterfield Special Cylinders: £13.9m

More information

- Business review 12
- Risks and uncertainties 26

I am pleased to present the results of what has been another very busy year for the Group.

Following the disposal of PT Biogas Holdings Limited in the year and Hydratron Limited in the prior year, all results and costs for the Alternative Energy division and the Engineered Products division have been presented as discontinued operations. The following trading commentary is in respect of continuing operations only.

Group revenue has increased 34% on the prior year. As expected, phasing of large defence projects in CSC was weighted to the first half although overall divisional revenue was up 39% on the prior year. PMC's second half was 11% up on the first half reflecting the continued momentum in the oil and gas sector and three consecutive reported halves of revenue growth.

We stepped up investment in new equipment and technology with £2.8 million of new plant and machinery, £2.1 million of which was on new machining centres in the PMC division to add capacity and capability. The use of asset finance facilities to fund this programme efficiently resulted in new asset finance leases of £2.0 million in the year. The R&D tax credit relief remains above 4% of revenue with claims in 2019 expected to be in excess of this (2018: 4.8%).

Our Group Head of IT, which is a new role, joined the Group in December 2018 to lead the Group's IT strategy and associated risk management. In the year a further £0.8 million has been invested in IT systems and technology to standardise systems and improve infrastructure and communications. We have also made further progress with automation of data analysis and real-time management information.

In the short term, the financial priority continues to be focused on the reduction of net debt with working capital management at the fore. Financial covenants on the Group's revolving credit banking facility (RCF) were complied with throughout the period. The operating cash inflows overall were positive, however the phasing of contracts in CSC and the order backlog in PMC adversely impacted working capital in the fourth quarter and cash conversion was lower than targeted at 0.5x (target over 1x); this will unwind through 2020. These factors, along with the significant cash outflow of discontinued operations up to the date of disposal, have led to an overall increase in net RCF debt (excluding finance leases) at the year-end of £2.9 million.

Following the disposal of the Alternative Energy division, a re-financing was undertaken to review the banking facilities required to support the Group's post-divestment strategy, as set out in the interim financial statements. The Group's RCF, which was put in place in October 2014, had been extended a number of times, and was due to expire in April 2020. Fully committed and credit approved terms were reached for the replacement RCF facility with the incumbent bank in September 2019. Documentation and signing was completed on 10 December 2019 and, in accordance with IAS 1, the borrowing has been classified as a current liability due within 6-12 months at the balance sheet date. At the date of these preliminary results the facility is classified as a long-term liability.

The new facility is on substantially the same terms, with the exception of a higher and fixed margin. The total facility is £12 million until the end of November 2020 and £10 million for the remainder of the term and expires in December 2021.

FINANCIAL HIGHLIGHTS

£28.3M
Group revenue*
(2018: £21.2m)

7.9%
Return on revenue***
(2018: 5.0%)

£(1.4)M
Total loss reduced
(2018: £(5.1)m)

32.4%
Gross profit margin
(2018: 34.2%)

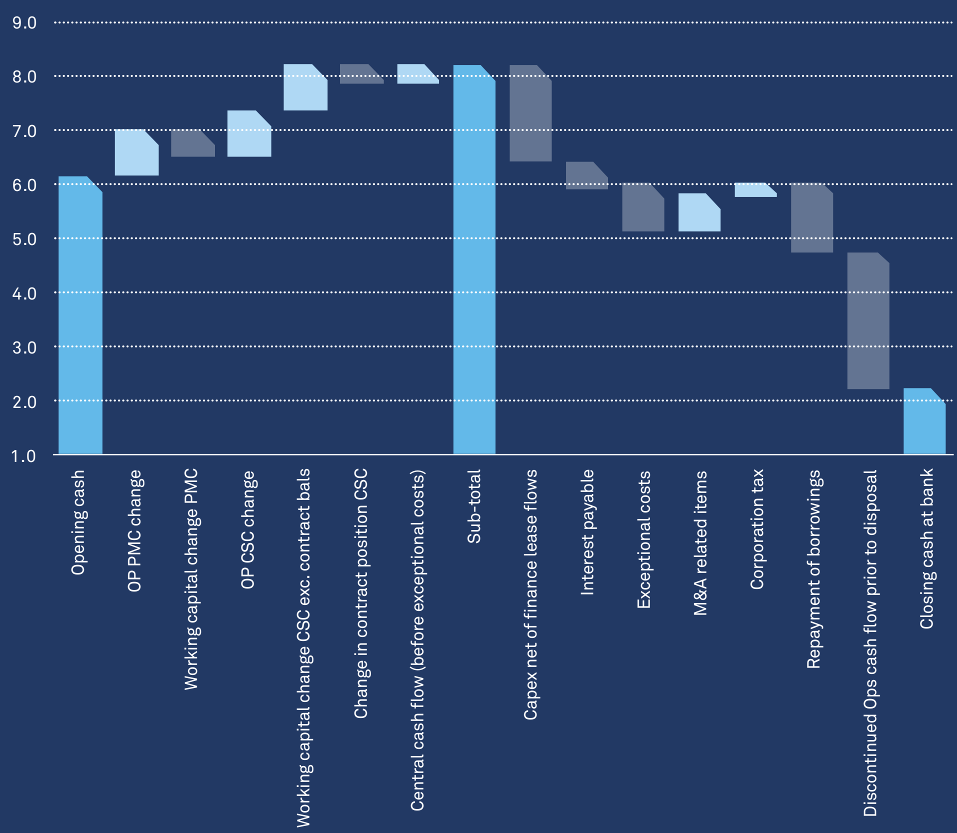
£2.0M
Net operating cash inflow****
(2018: £1.9m)

26%
Net working capital as a % of revenue
(2018: 25%)

£2.2M
Adjusted operating profit**
(2018: £1.0m)

£8.6M
Closing net RCF debt
(2018: £5.7m)

2019 CASH FLOW BRIDGE (£M)



* All information relates to continuing operations only, prior period comparatives have been restated to remove discontinued operations.
** Operating profit excluding acquisition costs, amortisation on acquired businesses and exceptional charges and credits.
*** Adjusted operating profit divided by revenue.
**** Before cash outflow for exceptional costs and excluding cash flows associated with discontinued operations.

Trading results

2019 was the year of adoption of IFRS 15 'Revenue from contracts with customers', which we have applied using the modified retrospective approach without restatement as it had no material impact on previously reported results or retained earnings. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that were incomplete as at 30 September 2018 and the adoption of this new standard has only impacted the CSC division, specifically the ultra-large cylinder contracts.

CSC

39%

Revenue increase

Revenue increased nearly 40% on the prior year due principally to the volume of activity and number of projects completed or in progress at the year-end but also due to the adoption of IFRS 15 'Revenue from contracts with customers' which for CSC has resulted in £1.7 million of revenue being recognised in the period ended 28 September 2019 that would have been recognised in future periods if IFRS 15 had not been adopted. Consideration has been given to the potential impact of recognition over time on the results for the period ended 29 September 2018, but due to the mix of ongoing contracts at 29 September 2018, the impact would have been immaterial.

Eleven contracts that are categorised as 'recognised over time' were in progress at the end of the year with seven customers. £5.2 million of future revenue on these contracts relates to as yet unfulfilled performance obligations which are due for delivery in 2020.

Gross profit has increased significantly in the year almost entirely due to the volume of activity; there was a 0.7ppt increase in the gross margin which reflects the actual mix of work in the year.

As a direct result of the volume of activity, CSC's operating profit has nearly doubled to £2.1 million (2018: £1.1 million) and there has been a 4ppt increase in the Return on Revenue in the year to 15.1% (2018: 11.1%).

PMC

30%

Revenue increase

PMC revenue has increased almost 30% as volume of activity and opportunity in the oil and gas market has continued through the year. PMC's second half was 11% up on the first half reflecting the continued momentum in the oil and gas sector and three consecutive reported halves of revenue growth.

Gross profit has not increased at the same rate as sales and there was a 3.9ppt reduction in gross margin, compared to 2018, to 29%. The most significant contributor to this was the poor performance, particularly in the second half, of the Quadscot site which failed to deliver sufficient improvement through the first half. Output delays and increasing backlog through the second half resulted in site output falling significantly behind plan, which adversely impacted gross margin.

Operating profit increased 25% to £1.9m which represents a Return on Revenue of 13%, a 0.4ppt fall from 2018.

Central costs

Unallocated central costs (before M&A, amortisation on acquired businesses and exceptional charges) were £1.7 million (2018: £1.6 million).

In respect of the Group's various share option plans there was a net cost in the year of £0.1 million (2018: net nil).

Exceptional items

Reorganisation and redundancy costs in the year were £0.5 million (2018: £0.5 million), which predominantly relate to the restructuring of the PMC division.

Amortisation costs were £1.8 million (2018: £1.8 million).

Discontinued operations

On 4 June 2019, the Group completed the disposal of the entire issued share capital of its subsidiary, PT Biogas Holdings Limited which was the holding company for the Group's Alternative Energy division, to Creation Capital Corp, a capital pool company listed on the TSX Venture Exchange. The business was reported by the Group as the Alternative Energy division.

In the prior year on 7 June 2018, the Group completed the disposal of the entire issued share capital of its subsidiary, Hydratron Limited, to Pryme Group Limited, majority owned by Simmons Private Equity LLP. This business was reported by the Group as the Engineered Products division.

£1.2M

Loss from discontinued operations

The £1.2 million loss from discontinued operations in 2019 comprises the operating loss of the Alternative Energy division for the period up to disposal, costs to sell and impairment charges associated with the business. The prior year loss from discontinued operations of £3.7 million includes the results of both disposals. Further details are in Note 6 of these financial statements.

Taxation

£1.2M

R&D tax credit

The tax credit for the year was £0.1 million (2018: £0.3 million).

The loss before tax, impact of the disposal of the Alternative Energy division and adjustments in respect of prior years have all contributed to the credit in 2019. The applicable current tax rate for the year is 19% (2018: 19%). The utilisation of losses and R&D tax credits has resulted in a lower effective tax rate than the current rate of tax.

R&D tax credit benefits across the Group in respect of 2019 are projected to be around £1.2 million (2018: £1.0 million).

Corporation tax refunded in the year totalled £0.2 million (2018: paid £0.1 million), which relates to the UK. Tax in overseas territories is minimal.

Foreign exchange

The Group has exposure to movements in foreign exchange rates related to both transactional trading and translation of overseas investments.

In the year under review, the principal exposure which arose from trading activities was to movements in the value of the Euro, the CA Dollar and the US Dollar relative to Sterling. As the Group companies both buy and sell in overseas currencies, particularly the Euro and the US Dollar, there is a degree of natural hedge already in place.

Eleven contracts in CSC that are categorised as 'recognised over time' were in progress at the end of the year with seven customers. £5.2 million of future revenue on these contracts relates to as yet unfulfilled performance obligations which are due for delivery in 2020.

Following the disposal of the Alternative Energy division the overall exposure of the Group to currency fluctuations in respect of trading has reduced. The Group is however more exposed to the translational impact of the CA Dollar in respect of the Greenlane Renewables Inc Promissory Note, 50% of which is denominated in that currency. Where appropriate, and when timing of future cash flows is able to be reliably estimated, forward contracts are taken out to cover exposure.

In 2019 the net gain recognised in adjusted operating profit in respect of realised and unrealised transactions in Euro, US Dollar, Canadian Dollar and New Zealand Dollar was immaterial (2018: £0.1m). In 2019 a loss of £0.1 million (2018: loss £0.1 million) was initially recorded below adjusted operating profit in respect of the retranslation of foreign operations. On disposal of the Alternative Energy division all historic accumulated gains and losses on retranslation of its foreign operations were removed from the translation reserve and reclassified to the profit and loss account, which resulted in a £0.3 million gain being recorded below adjusted operating profit.

As at 28 September 2019 there were no forward contracts in place (2018: none).

Financing, cash flow and leverage

£8.6M

RCF debt

Operating cash inflow for continuing operations before movements in working capital and reorganisation and redundancy costs was £3.7 million (2018: £1.9 million). After a net working capital outflow of £2.0 million (2018: neutral), cash generated from continuing operations was £2.0 million (2018: £1.9 million).

Cash outflow in respect of discontinued operations trading up to the point of disposal was £2.5 million (2018: £0.4 million). Gross cash consideration in respect of the disposal of the Alternative Energy division was £2.0 million (2018: cash inflow on disposal of EP £1.1 million).

Cash outflow in the year in respect of exceptional costs was £1.6 million (2018: £1.0 million), this includes cash flows in relation to certain items that were recognised in the prior year profit and loss.

Net RCF debt was £8.6 million (2018: £5.7 million), the £2.9 million increase driven primarily by working capital outflow, planned capital expenditure and the operating cash outflow of the AE division prior to disposal. The Group's £15 million facility was £10.8 million drawn at the year-end (2018: £11.8 million). The continued capital investment programme has resulted in a net increase in the finance lease debt of £1.7 million to £2.8 million (2018: £1.1 million) leading to total net debt at the year-end of £11.4 million. Capital expenditure will reduce in 2020 as planned, following the significant investments made in 2019.

The increase in adjusted EBITDA has more than offset the increase in net debt which means the measured Net Debt to Adjusted EBITDA leverage ratio reduced to 1.8:1 at 28 September 2019 (2018: 2.3:1). All facility covenants have been complied with throughout the period.

Earnings per share and dividends

7.8P

Adjusted earnings per share

Adjusted earnings per share increased to 7.8 pence (2018: 2.9 pence) for continuing operations. Basic loss per share was (2.1) pence (2018: (7.5) loss per share) for continuing operations.

No dividends were paid in the year (2018: nil) and no dividends have been declared in respect of the year ended 28 September 2019 (2018: nil). Distributable reserves in the parent company decreased 61% to £6.7 million (2018: £16.9 million), driven by the disposal of the Alternative Energy division. The parent company also has £26.2 million of share premium reserves which is readily convertible to a distributable reserve.

Statement of financial position

£32.1M

Net assets

Goodwill and intangible assets (at cost) decreased by £10.8 million to £25.0 million (2018: £35.8 million). £11.0 million related to the disposal of the Alternative Energy division, the balance was investment in new product development and investment in IT systems. Amortisation in the year on continuing operations was £1.8 million (2018: £1.8 million).

£9.1M

Net current assets

The consideration received on the disposal of the Alternative Energy division included, in addition to cash on completion, shares in the newly listed Greenlane Renewables Inc and a Promissory Note. These are recognised as 'Other long-term financial assets' and in accordance with IFRS 9 the equity investment has been classified as a FVTPL asset and the Promissory Note is held at amortised cost.

Net current assets, excluding the renegotiated RCF borrowings, decreased to £9.1 million (2018: £9.6 million). Non-current liabilities, including the renegotiated RCF borrowings now classified as long term, increased slightly to £14.7 million (2018: £14.4 million) after borrowings increased to £13.0 million (2018: £12.6 million).

Net assets decreased by 3.8% to £32.1 million (2018: £33.4 million) and net asset value per share decreased to 176 pence (2018: 180 pence).

Joanna Allen
Chief Financial Officer

17 December 2019

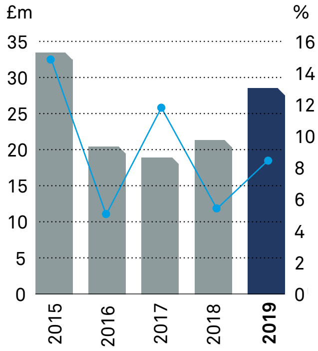
How we measure our success

Key Performance Indicators

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

FINANCIAL PERFORMANCE

Growth and return £m

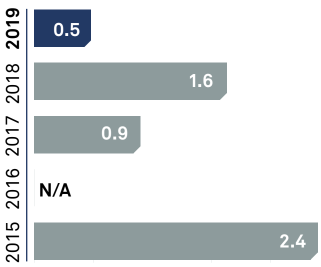


Growth is measured in terms of sales revenue.

The efficiency of converting sales into profits is measured in terms of return on revenue. This is calculated as operating profit divided by revenue. The Group has a target of at least 15% return on revenue.

Cash conversion

0.5

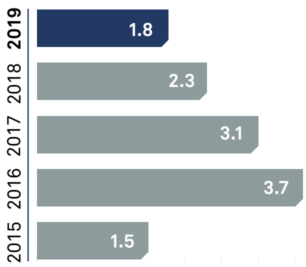


The cash conversion ratio measures the proportion of adjusted operating profit converted into cash in the period. This is calculated as cash flows from operating activities (before reorganisation costs) divided by adjusted operating profit.

The minimum target cash conversion ratio is 1.

Net debt ratio

1.8

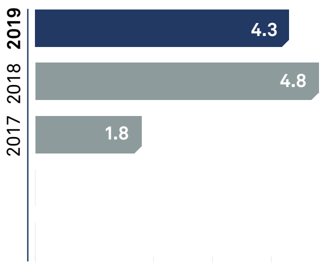


The measured net debt ratio is specific to the Group's RCF facility. It is calculated as net debt attributable to the lender divided by adjusted EBITDA.

The targeted ratio is less than 2.6:1.

R&D (tax credits as % of revenue)

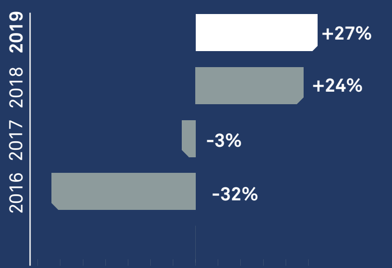
4.3%



A measure of innovation in the Research & Development (R&D) tax credits as a % of revenue. The Group is targeting achieving credits of at least 5% of revenue.

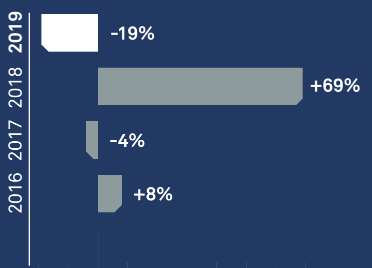
Rolling 12 month intake – PMC

+27%



Rolling 12 month intake – CSC

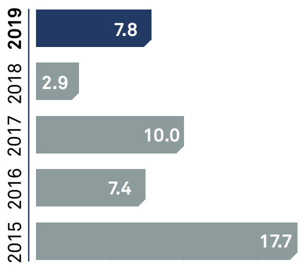
-19%



SHAREHOLDERS

Adjusted earnings per share

7.8p



Adjusted earnings per share is used as a measure of shareholder return. Details of the calculation of adjusted EPS can be found in Note 11 of the notes to the consolidated financial statements.

ALTERNATIVE PERFORMANCE MEASURES

Health and safety

0

Environmental

0

incidents

Safety performance is measured against reportable accidents. The Group target is zero.

The environment measure currently used is the number of reportable environmental incidents and as with health and safety, the target across the Group is zero.

The Group has not had any incidences over the last five years.

The Group plans to adopt a suite of environmental KPIs in the coming year.

The Group employs a Director of Group Health, Safety, Quality and Environment, who reports directly to the Chief Executive. He is responsible for ensuring that the Group employs best practice that is consistent around the Group and leads the team of health and safety managers employed at each business in the Group.

Managing risk effectively

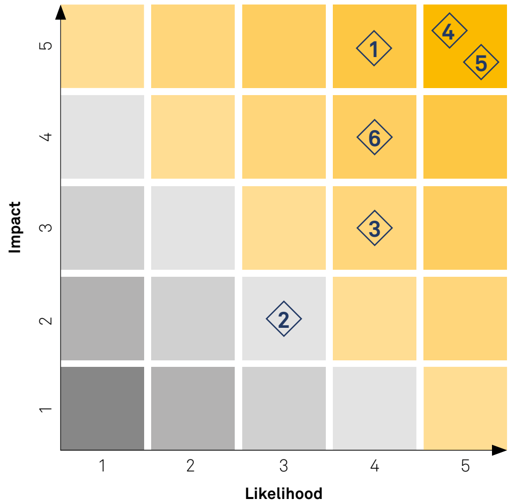
The principal risks identified by management and any changes to those risks are detailed below.

Direction of change

▲ Increase ▶ No change ▼ Decrease **NEW** New Risk

Risk management process

Risk heat map – impact and likelihood



1. Global economic conditions: **20** (2018: 25)
2. Governmental policy and legislation (around energy & renewables): **6** (2018: 15)
3. Competitors and commercial relationships: **12** (2018: 12)
4. Funding: **25** (2018: 15)
5. Availability of key resources: **25** (2018: 20)
6. Technology and innovation: **16** (2018: 15)

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
1. Global economic conditions and market volatility		
Market sectors The Group operates in and is therefore impacted by the macro conditions in the oil and gas, defence and renewable energy markets. We need to remain sufficiently flexible to allow us to anticipate downturns, to allow us to adjust our operations accordingly, and equally to meet growth in demand when our customers' markets are buoyant.	• The Group has increased its exposure to markets outside of O&G such as defence and energy storage and revenues from these areas have risen. • The Group responded to adverse conditions in oil and gas by restructuring through the downturn but has retained and invested in its core capabilities as confidence in market recovery has grown. • The PMC businesses serve both production and exploration in the oil and gas market, with production being less volatile during a market downturn. • Increased sales focus across the Group to expand customer base and product lines. • AE division divested with refocus back on core manufacturing capabilities in PMC and CSC which reduces the impact of volatility in the Renewable Natural Gas sector.	▶

BREXIT
There remains significant uncertainty and concern upon what form Brexit will take due to the relative lack of detail and clarity provided by Government. The potential implications for the Group tend to focus around currency fluctuation and cross-border business.
Potential changes to cross-border trading, including tariffs and non tariff barriers, could affect both working capital requirements, by extending supply chains, and the costs of both manufacturing and sales.
	• Long-term agreements with customers and suppliers are not prevalent in the Group which typically quotes for business on a short quote expiry and there is considered to be a limited impact on the Group in the following areas:
	  ◦ VAT and duty particularly related to the import of raw materials.
	  ◦ Exchange rate, which has gone in our favour to date.
	• The Group is actively working with the Sheffield Chamber of Commerce and Industry to assess risk and is in the final stages of the process to obtain Authorised Economic Operator Status ("AEO") as part of its risk mitigation procedures.
	• The details of how a final Brexit deal may look and its impact on the Group will be monitored.
		▶

Foreign exchange A proportion of the Group's business is carried out in currencies other than Sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the Group's financial position or results. The Group may engage in foreign currency hedging transactions to mitigate potential foreign currency exposure which is dependent on the certainty of value and timing of cash flows.	• Natural hedges are in place for the predominant currencies the Group is exposed to and all foreign currency trading is completed by Group treasury, including forward exchange contracts when appropriate. • The Group typically quotes for business on a short quote expiry and where appropriate will include price escalation clauses to limit exposure to fluctuations in foreign currencies. • Following the sale of the Alternative Energy division in the year there is an increased potential volatility on a translational basis to movement between the CAD:GBP due to the Promissory Note due from Greenlane Renewables Inc. which is denominated 50:50 GBP:CAD.	▼

2. Governmental policy, regulation, legislation and compliance		
Government policies Revenue generated from defence contracts is impacted by government policies which the Group may not be able to influence. Change of government may result in amendments to tax and employment policies that could affect the business e.g. R&D tax credit regime, worker representation and rights.	• Changes that impact our defence contacts have enough visibility for management to implement plans that could mitigate them. A change of government is the greatest risk to the UK defence programme spending. • Changes to R&D tax credits for development projects may reduce claims levels, increase overall tax and increase project funding requirement.	▼
Health and Safety The Group operates manufacturing facilities therefore has a fundamental duty to protect its people and other stakeholders from harm whilst conducting its business.	• The Group has an established HSE Committee which monitors and assesses risk and leads a continuous improvement programme across all Group facilities. • CSC was charged in February 2019 by the HSE under Section 2 of the H&S at Work Act following a fatal accident at the site in June 2015 and was, at the trial in November 2019, found guilty. The sentencing hearing is expected to be early in 2020. Further details in Note 31 to the financial statements.	NEW

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
3. Market conditions and commercial relationships		
Contract risk Failure to adequately manage contract risk and, as a result, commit to obligations which the Group is unable to meet without incurring significant unplanned costs.	• The prevalence of significant and complex contracts in the CSC division has continued to increase. • The Group's governance policies and procedures in relation to contract risk have been reviewed and enhanced and a new governance framework established.	NEW
Customer concentration Customer concentration is high in both divisions of the Group and our relationships with these key customers could be materially adversely affected by several factors, including: a decision to diversify or change how, or from whom, they source components that we currently provide, an inability to agree on mutually acceptable pricing or a significant dispute with the Group. If the Group was unable to enter similar relationships with other customers on a timely basis, or at all, our business could be materially adversely affected.	• Key account management is a focus across the Group and we have a history of strong customer relationships. • The Group has a high dependence on a small number of customers and much work continues to develop the distribution channels and expand the customer base in both Divisions.	
4. Funding and liquidity		
Funding The Group requires a working capital facility for trading and the growth strategy may require access to specific project funding. There remains significant uncertainty in the UK economy as a result of Brexit and this has had an impact on the availability of bank funding for the Group's requirements. Should revenue or margins be materially reduced, or working capital requirements significantly increase, there would be an immediate reduction in the facility's covenant headroom.	• The Group's re-financing was completed in December 2019 and the replacement revolving credit banking facilities now expire in December 2021. We continue to focus on reducing the overall Net Debt in the business, balancing this with the need to invest to support the organic growth strategy. • Long-term finance products are used for core debt items such as capital investments. • Management have targets on leverage and working capital and cash conversion which are linked to incentive schemes.	
5. Availability and use of key resources		
Leadership As an SME, the Group has certain roles that are critical to business performance and growth and a higher level of reliance on certain individuals.	• Restructuring and new leadership of the Precision Machined Components division was undertaken in the second half of 2019 which will underpin the strategy for organic growth and drive operational efficiencies, cost savings and improved margins. • A similar programme commenced with the Cylinders division at the end of the financial year and has now been concluded.	
Retention of key staff in business critical roles Failure to continue to evolve organisation structure and culture could prevent us from employing and retaining the right talent, knowledge and skills to deliver the strategy. As markets improve and the Group develops into new markets we need to continue to recruit high quality staff, building on existing capability while recruiting skilled expertise in the right areas of the business, at the right time.	• The high added value products and services provided by all the businesses are reliant on the skills and knowledge of our employees and there is a programme of training around the Group to ensure the development and retention of these key skills and employees. The training programme includes apprenticeships, industry qualifications and through to post-graduate degrees. • 2019 has been a period of transition for the Group including operational management changes and progress made with organisational development and culture. • Policies and procedures are reviewed at least annually. • Investment in the use of third party recruitment resource extends and enhances existing skills within the Group and strengthens succession planning. • Employee engagement surveys are periodically undertaken to benchmark and assess progress in employee engagement and development and a second survey commenced in 2019.	

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
5. Availability and use of key resources continued		
Major capital assets Certain of the Group's businesses rely on large or critical pieces of equipment and major breakdown could affect our ability to maintain delivery performance and customer growth.	• Key assets are subject to ongoing maintenance programmes and strategic spares are held. • The risk is further mitigated in the Precision Machined Components division by the number of manufacturing sites. • Investment in capital assets is constantly reviewed and in 2019 £2.8 million was invested in new advanced machining centres across the Group.	►
Estates and premises Through the O&G downturn the availability of resources to invest in the estate has been limited and the estate may not support the growth strategy.	• A review of facilities will be undertaken in 2020 to determine requirements to support the organic growth strategy and address employee welfare matters.	NEW

6. Technology & innovation		
Product development The strength of our business is built upon a history of delivering products that advance safety and reliability in demanding environments. If we fail to keep abreast of market needs or to innovate solutions, we are at risk of losing market share to our competitors and lowering margins as demand will reduce.	• Investment in product development and services is key to the continued growth of the Group and we strive to embed a culture of research and development initiatives within the business, which are enhanced through engagement with advanced university research institutes.	►
Disruptive technologies Technological advances in production processes or materials may cause a reduction in demand for the Group's products.	• The monitoring of evolving technologies that may disrupt the market is ongoing, looking to both capitalise on the opportunities they may provide as well offset any potential threats.	►
Cyber crime At present, the Group's principal exposures to cyber crime relate to the misappropriation of cash and data. Our revenue streams are largely protected as our products are not currently electronic in nature and we do not, as a rule, transact over the internet.	• Cyber security is a growing risk for all businesses and in late 2018 the Group appointed a Group Head of IT who now chairs the Cyber Security Committee. • The Cyber Security Committee comprises members of the Board, the senior management team and third party IT service providers. • Assessment of cyber security arrangements is a continuous process and external resources are engaged as necessary to support the Group to both assess risk and implement solutions. • The Group uses collaborative working systems with cloud storage where there are increased security advantages for data protection and a programme of investment in MRP and ERP systems is underway.	▲

Following the divestment of AE, confirmation of the Group's strategy and increasing risk in other areas, the following risks have fallen out of the PR&U category:

- The Group has a number of major competitors in its key markets who offer a wider variety of products and some of which are also suppliers.
- Pricing – due to the specialist and niche products across the Group and size and scale, price exposure can lead to volatility in the reported sales and margin against forecasts and market expectations.

Ensuring effective corporate governance

Neil MacDonald
Independent Non-Executive Chairman

The Board fully supports the underlying principles of Corporate Governance contained in the Corporate Governance Code ("the Code" and the Board adopted the revised QCA Code, released in April 2018. The responsibility for ensuring compliance and accurate reporting of Corporate Governance resides with the Audit and Risk Committee ("the Committee"). Corporate Governance will be continually monitored and reviewed formally by the Committee annually, following publication of the report and accounts each year.

Compliance with each of the ten principles set out in the revised QCA Code is summarised below:

1. Establish a strategy and business model which promote long-term value for shareholders
Pressure Technologies has an established strategy for growth, which it reports on annually to its shareholders in the Company's Annual Report, indicating how it has delivered on the strategy and how it has managed strategic risks. The Board reviews the strategy at least once a year to ensure that it remains relevant and sustainable.

The Company's business model is clearly set out on page 2 of this report.

2. Seek to understand and meet shareholder needs and expectations
The Company actively encourages good communication with all shareholders from the largest to the smallest. Presentations to institutional and mid-sized investors (typically by the Chief Executive and Chief Financial Officer) are offered at the full-year and half-year and all investor presentations are posted to the Group's website. Feedback is obtained following all investor meetings and this feedback is reviewed by the Board. The Company has always aimed to accommodate investors who wish to visit its manufacturing sites.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
The Board fully recognises that long-term growth and profitability are enhanced when businesses behave in a sustainable and responsible manner, with respect for the environment and all stakeholders.

The Group's stakeholders include employees, customers, investors, suppliers, advisors and the communities in which the Group's businesses operate.

The Group's approach to sustainable and responsible business is set out on the website and on page 18 of this report.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation
The Committee conducts regular reviews of business risk and oversees the approach to risk management.

Acknowledging the increasing threat to cyber security, the Group has recruited new skills and resources to ensure effective risk management and protection in this critically important area. The Group also has an established HSE Committee which monitors and assesses risk and leads a continuous improvement programme across all Group facilities.

The risk reporting model, set out on page 26 of this report, includes a risk heat map and links the key risks to the Group's strategy.

Board of Directors' Purpose Statement

Establish and maintain vision, mission and values

- Determine and maintain the Company's vision and mission to guide and set the pace for its current operations
- Determine and maintain the values to be promoted throughout the Company
- Determine, maintain and review Company goals
- Determine and maintain Company policies

Decide strategy and structure

- Review and evaluate present and future opportunities, threats, risks in the external environment; current and future strengths, weaknesses and risks relating to the Company
- Determine strategic options, select those to be pursued and decide the means to implement and support them
- Determine the business strategies and plans that underpin the corporate strategy
- Ensure that the Company's organisational structure and capability are appropriate for implementing the chosen strategies

Delegate to management

- Delegate authority to management and evaluate the implementation of policies, strategies and business plans
- Determine the monitoring criteria to be used by the Board
- Ensure the internal controls are effective
- Communicate with senior management
- Account to shareholders and be responsible to stakeholders

Ensure that communications both to and from shareholders and relevant stakeholders are effective

- Understand and take into account the interests of shareholders and relevant stakeholders
- Monitor relations with shareholders and relevant stakeholders by gathering and evaluating appropriate information
- Promote the goodwill and support of shareholders and relevant stakeholders

Operational Board and Subcommittees

In addition to the main Board committees, the Group also has subcommittees as set out below.

Health, Safety and Environment

A quarterly strategy meeting is held with the Director of Group Health, Safety, Quality and Environment, his team of Health and Safety Managers, the Chief Executive, Brian Newman, one of our Non-Executive Directors and the HR Director. Additional operational meetings are held monthly, which the senior executive team do not attend. The purpose of the committee is to embed a culture of safety and wellbeing from the top down and ensure that best practice is always employed at each Group Company.

Cyber Security

A Cyber Security Committee was established two years ago to address this growing risk faced by all businesses. It meets at least three times a year and is headed by our recently appointed Group Head of IT. Its members include the Chief Executive, the CFO, key senior management, a Non-Executive Director and the HR Director. Our third party IT providers also attend these meetings. The purpose of the meeting is to ensure that the best security measures are continually employed by the Group.

5. Maintain the Board as a well-functioning, balanced team led by the Chair
The Board comprises a Non-Executive Chairman, Neil MacDonald, who has served the business for six years and a Senior Independent Non-Executive Director, Brian Newman, who has served the business for four years. There are two Executive Directors, Chris Walters, Chief Executive, who joined the Group in September 2018 and Joanna Allen, Chief Financial Officer, who joined in July 2015. We reported in June 2019 that we were looking to strengthen the Board.

The search and selection process is nearing completion and we expect to make new Non-Executive appointments early in 2020.

Board meeting and committee meeting frequency and attendance are set out on page 35 of this report and the Terms of Reference for each committee can be found on the website.

The Group uses specialist software for its Board reports which facilitates the quality and timeliness of getting information to the Board.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
The Board comprises an effective balance of knowledge, skills, experience and independence. The Board represents relevant industry experience from engineering, operational management, finance and investment. Every member of the Board is there for the benefit of Pressure Technologies plc and each recognises his or her responsibility to the Company's stakeholders. The Board regularly reviews its composition to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group. The approach to maintaining relevance and diversity on the Board as well as assigning internal advisory responsibilities, such as those of the Company Secretary and Senior Independent Director, are continuously reviewed by the Committee.

On the Group's website and on page 34 of this report, the skills that each member brings to the Board are clearly set out.

The Chief Executive, in conjunction with the executive team, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and various external advisors on a number of corporate governance matters.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
The corporate governance statement on page 29 of the 2017 Annual Report notes that details of the performance evaluation procedures for each Director, the whole Board, or each committee, are not currently disclosed.

A Board evaluation was carried out in January 2014. The Board evaluation process will be reviewed, updated and re-implemented following the appointments planned for early 2020.

The updated evaluation process and schedule will be published through the Group's website.

8. Promote a corporate culture that is based on ethical values and behaviours
Pressure Technologies plc is proud of its reputation for being honest and fair in the way it does business. This reputation has been established over many years through leadership and continuous reinforcement of ethical principles by managers and all employees. These principles apply to how the Group works with its customers, suppliers, governments, employees, shareholders, competitors and the local communities in which it operates and are set out on the website.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board
The roles of each of the Board Committees are set out in their Terms of Reference, which can be found on the website along with Matters Reserved for the Board.

The roles of individual Directors are not formally described, but this will be reviewed and disclosed if relevant.

The responsibility for ensuring governance structures are continually reviewed and relevant to the business and its stakeholders falls to the Audit and Risk Committee.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
The Group's Governance structure is set out on pages 34 to 35 of this report. In addition to a Directors' Report, reports from the Remuneration Committee and the Audit and Risk Committee are included in the Annual Report.

The Chief Executive and the Chief Financial Officer meet regularly with the Group's larger institutional investors and feedback is always obtained. Pressure Technologies has a reputation amongst its investors for its fair and frank disclosure on the Company's performance. All investor presentations are available on the Group's website.

The voting statistics from AGMs are disclosed in a Regulatory News release on the day of the AGM. If relevant, details of any actions to be taken as a result of resolutions for which votes against had been received from at least 20% of independent shareholders, would also be disclosed.

The Group's website is regularly updated and historic documents dating back to the Company's listing in 2007 are available.

The Annual Report is reviewed against FTSE 350 best practice and best practice is adopted, where relevant and practical.

From time to time the executives attend private investor events and welcome investors to the manufacturing facilities.

Neil MacDonald
Independent Non-Executive Chairman

17 December 2019

Experienced leadership

Neil MacDonald
Independent Non-Executive Chairman

Appointed
June 2013

A N R

Relevant strengths
- M&A expertise
- Growing businesses
- Chartered Accountant

Relevant experience
- A Chartered Accountant with 25 years of experience in the oil and gas and engineering industries.
- Former Group Finance Director of AES Engineering Limited, the international mechanical seals manufacturer; and previously Group Finance Director of the international aerospace company, Firth Rixson.
- Numerous non-executive roles in the public and private sector.

External commitments
- Non-Executive Director of Autins plc, Governor of Sheffield Hallam University, a private sector Board Member of the Sheffield City Region Local Enterprise Partnership and a trustee of various charitable organisations. Member and Past Master of the Freeman of the Company of Cutlers in Hallamshire.

Brian Newman
Senior Independent Non-Executive Director

Appointed
September 2015

A N R

Relevant strengths
- Engineering expertise
- Knowledge of global industrial businesses, including cross-border M&A
- Divisional management experience

Relevant experience
- A Chartered Engineer with a degree in Engineering from Cambridge University and an MBA from Penn State University, USA.
- Former Divisional Director at two FTSE 100 companies, latterly at Melrose plc as EMEA Managing Director at its subsidiary, Bridon International Group.
- Former Divisional Managing Director at international engineering group GKN plc, with responsibility for its global Wheels and Axles Divisions.
- Over 40 years' experience in engineering having also previously served on the boards of two listed companies.

External commitments
- Non-Executive director of The Shrewsbury and Telford Hospital NHS Trust, The Woodard Corporation Ltd and a number of other organisations.

Chris Walters
Chief Executive

Appointed
September 2018

Relevant strengths
- Business regeneration and growth
- Engineering expertise and credentials
- Energy and marine sector knowledge and network
- Multi-division, multi-region operations management

Relevant experience
- Master's degree-qualified Chartered Engineer with over 25 years of experience. MBA from Imperial College, London.
- Fellow of the Royal Institution of Naval Architects and Fellow of the Institution of Marine Engineers, Science & Technology.
- Background in engineering design, construction and through-life integrity management for marine and oil & gas operational assets.
- Senior executive career with Lloyd's Register Group, including roles in the UK and overseas and the management of the Group's global marine and oil & gas certification businesses.
- Chief Executive and co-owner of VCT-backed oil & gas technology SME, TSC Inspection Systems.

External commitments
- Trustee of the Royal National Lifeboat Institution (RNLI) and member of the Technical Committee, Freeman of the Company of Cutlers in Hallamshire.

COMMITTEE KEY

A	Audit and Risk Committee
N	Nomination Committee
R	Remuneration Committee
◆	Chairman
◇	Member

Joanna Allen
Chief Financial Officer

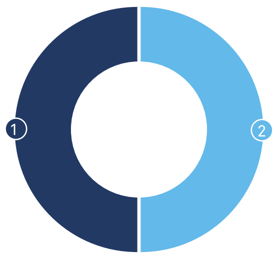
Appointed
July 2015

Relevant strengths
- IFRS financial reporting for AIM companies
- M&A, in particular financial due diligence
- Management information and data analytics
- Audit

Relevant experience
- AIM company board and committees, in particular Audit and Risk Committee function and effectiveness.
- Audit and Transaction Services Director with PwC, focused on manufacturing and engineering clients.
- Shortlisted in the 2018 and 2017 Northern Finance Director Awards and the 2018 Yorkshire Finance Leader Awards.
- Qualified Chartered Accountant with the ICAEW.
- Degree in Business Studies from the University of Sheffield.

External commitments
- Governor of Sheffield Hallam University, Vice-chair of Governors at Hunter's Bar Infant School in Sheffield, Freeman of the Company of Cutlers in Hallamshire.

BOARD COMPOSITION



1. Executive Directors: **2**
2. Non-Executive Directors: **2**

GENDER BALANCE
1/4

BOARD ATTENDANCE
12/12

BOARD MEETING ATTENDANCE
12/12
12/12
12/12
12/12

AUDIT AND RISK ATTENDANCE
8/8
8/8

NOMINATION ATTENDANCE
2/2
2/2

REMUNERATION ATTENDANCE
3/3
3/3

The Remuneration Committee comprises at least two Non-Executive Directors and is chaired by Brian Newman. The Committee meets when necessary, usually at least four times annually, and is responsible for determining the remuneration packages of the Executive Directors and the Chairman. The remuneration of the Non-Executive Directors is set by the Board annually.

Policy on remuneration of Executive Directors

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

a) Basic salary and benefits

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

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

The Company pays a maximum of 7% of basic salary into individual money purchase pension schemes so long as this is matched by a minimum of 5%, by salary sacrifice, by the individual.

b) Annual performance related cash bonus scheme

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

c) Long Term Incentive Plan

The Company operates a Long Term Incentive Plan whereby, at the discretion of the Remuneration Committee, share options are granted to Executive Directors and senior managers on a rolling annual basis.

2014-2017 schemes

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

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

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

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

2018 onwards schemes

On 3 September 2018 the Group approved a new Long Term Incentive Plan. Under the terms of this plan, each participant will have the right to receive new ordinary shares of 5 pence each in the Company equal to a fixed percentage of the value created for shareholders above a hurdle over the period from the date of grant. Awards are subject to certain performance conditions, principally delivering growth in the value of the Company above a share price hurdle which is adjusted for value returned to shareholders over the Performance Period. In this way, the Board can incentivise senior employees in a manner that is closely aligned with the interests of the Company's shareholders.

The awards, which can be acquired for nil consideration, are subject to an individual maximum value. 50% of awards will vest after the expiry of the Performance Period, 30% on the first anniversary of the expiry of the Performance Period and 20% on the second anniversary of the expiry of the Performance Period in accordance with the rules of the LTIP. The participants will have no right to any payment of cash, rather they will become shareholders in the Company. In this way, the interests of the participants will be aligned with those of all other shareholders.

On 4 September 2018 awards were granted to two Executive Directors and three senior managers. The fair value of these awards at time of grant, as estimated by the Group's external valuation specialists, was £239,000. As of 28 September 2019 only two Executive Directors and one senior manager remain part of the scheme.

d) Service contracts

All Executive Directors have rolling service contracts terminable on no more than one year's notice.

Directors' remuneration

Particulars of Directors' remuneration are as follows:

	Salary, expenses and fees* £'000	Benefits £'000	Pension £'000	Total 2019 £'000	Total 2018 £'000	Employers' national insurance 2019 £'000	Employers' national insurance 2018 £'000
Non-Executive:							
Alan Wilson	43	—	—	43	63	3	5
Philip Cammerman	—	—	—	—	20	—	3
Brian Newman	45	—	—	45	46	5	4
Neil MacDonald	43	—	—	43	40	5	4
Executive:							
John Hayward	—	—	—	—	535	—	57
Joanna Allen	191	1	23	215	199	25	23
Christopher Walters	250	2	23	275	19	32	2
Total remuneration	572	3	46	621	922	70	98

* Inclusive of reimbursement of expenses subject to tax and bonus payments.

Part of the remuneration of Alan Wilson and Brian Newman was paid to management companies which they control.

The number of Directors who accrued benefits under money purchase pension arrangements in the period was two (2018: three).

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

No Directors received dividends during the year (2018: nil).

Directors' options

The Directors' interests in share options are as follows:

	Scheme	Date granted	Number	Option price
Joanna Allen	Save-as-you-earn Scheme	30 July 2015	4,466	161.20p
Joanna Allen	Long Term Incentive Plan	21 December 2015	71,366	196.17p
Joanna Allen	Save-as-you-earn Scheme	27 July 2018	18,442	97.6p
Chris Walters	Long Term Incentive Plan	3 September 2018	*	Nil*
Joanna Allen	Long Term Incentive Plan	3 September 2018	**	Nil**

* Chris Walters will receive such number of shares as equals 3% of the growth in value above a share price hurdle of £2.50 (adjusted for value returned to shareholders, i.e., any dividend, over the performance period).

** Joanna Allen will receive such number of shares as equals 2% of the growth in value above a share price hurdle of £2.50 (adjusted for value returned to shareholders, i.e., any dividend, over the performance period).

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

	Joanna Allen No.
Outstanding at the beginning of the period	94,274
Granted during the period	—
Lapsed during the period	—
Outstanding at the end of the period	94,274

No movements for the LTIP granted in the period are included in the table above as the scheme does not define a set number of options.

On behalf of the Board

Brian Newman
Chairman, Remuneration Committee
17 December 2019

The Directors present their report and the audited financial statements for the period from 30 September 2018 to 28 September 2019.

Principal activities

During the period, Pressure Technologies plc ("PT") was the holding Company for the following Group operations:

Cylinders

Chesterfield Special Cylinders Limited ("CSC") whose principal activities are the design, manufacture, testing and reconditioning of seamless steel high pressure gas cylinders. CSC has one subsidiary, CSC Deutschland GmbH, based in Germany. Also within the Cylinders division is our US sales team, Chesterfield Special Cylinders Inc, based in Pittsburgh.

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

Precision Machined Components

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

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

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

Martract Limited ("Martract") whose principal activity is the provision of grinding and lapping services for ball and seat assemblies and gate valves.

Alternative Energy

The Greenlane Group of Companies ("Greenlane Biogas UK Limited", "Greenlane Biogas Europe Limited", "Greenlane Biogas North America Limited", "Greenlane Technologies Limited", "PT Biogas Technologies Limited" and "PT Biogas Holdings Limited") whose principal activities are the provision of turnkey solutions for the cleaning, storage and dispensing of gas for injection into the grid or use as a vehicle fuel, and the sale of heat exchange and gas compression units. On 4 June 2019, the Group completed the disposal of the entire issued share capital of PT Biogas Holdings Limited.

Results and dividends

The consolidated statement of comprehensive income is set out on page 50. The operating profit on ordinary activities of the Group for the period ended 28 September 2019 amounted to £2.2 million (2018 restated: £1.0 million).

No interim dividend was paid in the period (2018: nil). The Directors do not recommend the payment of a final dividend (2018: nil).

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 environmental incidents in 2019 (2018: nil).

Substantial shareholdings

As at 1 November 2019, 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
Gresham House	3,650,000	19.63%
Artemis Investment Management LLP	3,598,648	19.35%
Schroder Investment Management	1,232,304	6.63%
James Sharp & Co	1,171,067	6.30%
Mr John Hayward	1,007,500	5.42%
Hargreaves Lansdown	762,185	4.10%
Interactive Investor Trading	595,028	3.20%
Mr Matthew Crampin	575,214	3.09%
Unicorn Asset Management	567,167	3.05%

Directors and their interests

The present Directors of the Company are set out on pages 34 to 35.

During the year the following Directors held office:

JTS Hayward (retired 1 October 2018)
AJS Wilson (resigned 6 June 2019)

All Directors were Directors throughout the period and since unless otherwise stated.

Ordinary shares	28 September 2019 No.	29 September 2018 No.
Neil MacDonald	45,200	45,200
Joanna Allen	5,000	5,000
Brian Newman	10,000	10,000

Share options

Details of the share options granted in the period are disclosed in Note 27 to the consolidated financial statements.

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

Financial instruments

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

The Group's principal financial instruments comprise cash and bank loans together with trade receivables and trade payables that arise directly from its operations. Where it is considered appropriate to, the Group enters 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 24 to the consolidated financial statements.

Directors' indemnities

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

Employee involvement

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

Disabled persons

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

Going concern

The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The principal risks and uncertainties are set out from page 27. The Financial Reporting Council issued "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" in 2016. The Directors have considered this when preparing these financial statements.

Management have produced forecasts for all business units which have been reviewed by the Directors. These demonstrate that the Group is forecast to generate profits and cash in 2019/20 and beyond and that the Group has sufficient cash reserves and bank facilities to enable it to meet its obligations as they fall due, for a period of at least 12 months from when these financial statements have been signed. As part of the assessment process a number of scenarios have been modelled that consider a range of outcomes of the Contingent Liability disclosure in Note 31 to these financial statements and management have sought expert opinion to inform this.

As such, the Directors are satisfied that the Company and the 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.

Statement of Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group financial statements for each financial year. Under that law the Directors have to prepare the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Directors have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101) (UK Accounting standards). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and parent company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors confirm that:

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

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

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

Corporate governance
The Group's corporate governance statement is set out on its website under the AIM rule 26 section and on pages 30 to 33.

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

Chris Walters
Chief Executive
17 December 2019

Members & meetings

The Group's Audit and Risk Committee ("the Committee") is chaired by Brian Newman. Its members are set out on the Group's website; all members attended all six meetings during the year. The Committee meets not less than four times a year in a formal capacity and forms sub-groups to address specific matters as necessary outside of these meetings.

Role of the Committee

The Committee's primary responsibilities are to:

- Oversee the relationship with the external auditors and make recommendations to the Board on the appointment and remuneration of the auditors
- Review the conduct and control of the annual audit and the operation of the internal controls and advise the Board on principal risks and uncertainties
- Review the adoption of and compliance with the relevant Corporate Governance Code
- Report on the financial performance of the Company and review financial statements prior to publication
- Review annually the Company's anti-bribery and corruption policy
- Review the Company's procedures for handling reports by 'whistle-blowers'

Terms of Reference

The Board fully supports the underlying principles of Corporate Governance contained in the Corporate Governance Code ("the Code") and in 2018 adopted the revised Quoted Companies Alliance Code for Small and Mid-sized Quoted Companies ("the QCA Code").

The responsibility for ensuring compliance and accurate reporting of Corporate Governance resides with the Committee. Corporate Governance will be continually monitored and reviewed formally by the Committee annually, following the publication of the report and accounts each year.

Terms of Reference for the Committee, which are reviewed annually, can be found on the Company's website.

External audit

The Group's external auditors are Grant Thornton UK LLP ("Grant Thornton").

The Committee will ensure that at least once every ten years the audit services contract is put out to tender to enable comparison of the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms. The most recent tender was completed in 2018.

The Committee has unrestricted access to the Group's auditors and will ensure that auditor independence has not been compromised.

The Committee formally met with Grant Thornton twice during the year to approve the annual audit plan and after the conclusion of the audit when the audit findings were presented.

In order to ensure the independence of the external auditors, the Committee monitors the non-audit services provided by them to the Group.

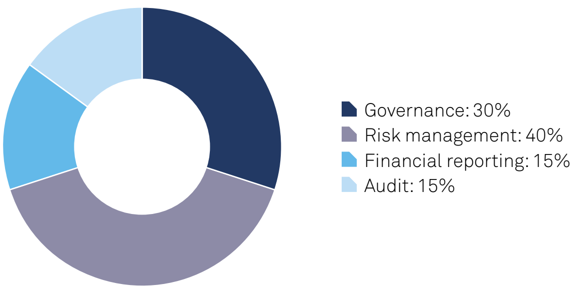
Market Abuse Regulation

The Committee periodically reviews the impact of the Market Abuse Regulation including its treatment of inside information; the relationship with our stockbrokers and analysts; the obligations of Persons Discharging Managerial Responsibilities; and the Company's share dealing code. Appropriate measures are taken to ensure compliance with the implementation of the EU Market Abuse Regulation which came into effect from 3 July 2016.

Significant matters addressed during the year

During the year in carrying out its main responsibilities the Committee has spent its time in the following proportions:

How the Committee has spent its time



Internal controls
Details of the key risks which the Group faces, the key controls in place to control those risks and the system of risk management adopted by the Group are set out on pages 26 to 29. The Committee has evaluated the effectiveness of the internal controls and the risk management system operated. The evaluation covered all controls including financial, operational, risk management and compliance.

Post-acquisition reorganisation has continued in Precision Machined Components with management changes and transition to an integrated divisional operation.

In the coming year the Committee will continue to be focused on investment in MRP and ERP systems in both the PMC and CSC divisions, which underpin the continuous improvement in the internal control environment. There will also be increased focus on the assessment of new areas of risk as the Group delivers its organic growth strategy.

The Committee will continue to review and advise on the design and operation of internal controls as the organisational structure evolves.

The Group does not have a specific internal audit department. The need for an internal audit department is considered from time to time but currently it is regarded that the costs would outweigh the benefits. If required, external specialists are brought in to perform specific reviews of areas considered a risk. During the year consultants have been engaged for specific tax matters.

Contract accounting judgements
As explained more fully in our accounting policies on page 56, the CSC division derives a significant proportion of turnover from contracts that span one or more years and are accounted for under the relevant accounting standard, IFRS 15, which the Group adopted fully this year.

Contract costs and revenues may be affected by a number of uncertainties that are dependent on the outcome of future events and therefore estimates may need to be revised as events unfold and uncertainties are resolved.

During the year, the Committee examined the methodologies applied to key judgements and were in agreement with the position adopted.

Impairment
The Committee reviewed and considered the papers relating to the impairment and going concern disclosures in the Annual Report and Financial Statements..

Going concern
Following the conclusion of the trial on 27 November 2019 at which the jury delivered a guilty verdict pursuant to Section 2 of the Health and Safety at Work Act 1974 in relation to the fatal accident at Chesterfield Special Cylinders Limited ("CSC") in June 2015 the Committee has considered the impact of the verdict on the ability of the Group to continue as a going concern. Further information in respect of the impact on the Group's ability is set out in the basis of preparation statement on page 54 and in Note 31 of these financial statements.

Contingent liabilities
The Committee reviewed the contingent liabilities disclosure set out in Note 31 of the financial statements and was satisfied it fairly reflects the current circumstances.

Other matters
The Group has operated a 'whistle-blowing' policy and arrangement for many years so that all employees of the Group are able, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors and any breaches of the Company's Anti-Bribery and Corruption policy. No matters have been reported to the Chair of the Committee, who is the nominated contact for the third party provider, in the year.

There were two instances of minor fraud that were reported to the Committee during the year, one of which resulted in an immaterial loss. Updates to internal control procedures were implemented where necessary and in one case a third party investigation was carried out.

Approved by the Board and signed on its behalf by:

Brian Newman
Chair of the Audit and Risk Committee

17 December 2019

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Pressure Technologies plc (the 'parent company') and its subsidiaries (the 'group') for the 52 week period ended 28 September 2019, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, the notes to the consolidated financial statements, the notes to the company financial statements and the accounting policies. 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, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 28 September 2019 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the disclosure on page 54 (Basis of preparation) and page 85 (Contingent liabilities) of the financial statements, which together indicate that the directors await the outcome of a sentencing hearing at which the financial penalty for a charge brought by the Health and Safety Executive will be determined, and that the directors have concluded that a reasonable estimate of liability cannot be made until that time.

As described within those disclosures, the directors have concluded that these conditions, along with the other matters described therein, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Overview of our audit approach

- Overall materiality: £145,000, which represents 0.5% of the group's revenue;
- Key audit matters for the group were identified as revenue recognition, the contingent liability in relation to the Chesterfield Special Cylinders Limited ("CSC") incident, and the impairment of goodwill and other non-current assets;
- The key audit matter for the parent company was identified as the impairment of investments; and
- We have assessed the components within the group and performed a full scope audit on the financial statements of Pressure Technologies plc and on the financial information of all non-dormant UK components.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group

Revenue recognition
Revenue is a major driver of the business and under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk of fraud in revenue recognition that could result in material misstatements.
 	
As described on page 54 the Group adopted IFRS 15 'Revenue from Contracts with Customers' in the current year, choosing to apply the "cumulative effect" modified retrospective method of transition. There is significant judgement required in applying the standard's five step model to the Group's contracts, including:
• Identifying the relevant contract(s) requires judgement in determining at what point an agreement with a customer creates enforceable rights and obligations;
• Identifying the performance obligations in the contract requires judgement as to whether the Group is obligated to provide goods or services (or a bundle of goods or services) that are distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer;
• Determining the transaction price requires judgement in assessing the best estimate of the variable consideration that is due;
• Allocating the transaction price to the performance obligations in the contract requires judgement; and
• Recognising revenue when (or as) the entity satisfies a performance obligation requires judgement as to whether revenue should be recognised at a point in time, or over time. Where revenue is recognised over time, management judgement is required in assessing the expected contract outcome and measuring the stage of completion at each reporting date.
 	
As a result of the above, there is a risk that revenue is recognised in advance of performance obligations being completed, or in advance of their stage of completion where revenue is recognised over time.
 	
We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.
	Our audit work included, but was not restricted to:
	• Assessing whether the group's revenue recognition policy is in accordance with IFRS 15;
	• Comparing a sample of contract revenue to the group's accounting policy to determine whether it has been recognised in line with the policy by:
	  • Confirming that a valid contract existed with the customer by reference to evidence such as written agreements
	  • Challenging whether the identification of the performance obligations within the contract by management is appropriate
	  • Challenging the appropriateness of the transaction price determined by management by reference to relevant contract(s)
	  • Determining whether the allocation of transaction price to performance obligations is appropriate
	  • Challenging whether management's assessment as to whether performance obligations have been met, including the percentage of completion assessment made by management where performed over time, is appropriate in light of relevant evidence, including manufacturing records and customer acceptance records;
	• Agreeing a sample of revenue transactions to customer payments, remittances and evidence of performance of the service;
	• Analytically reviewing sales, including trend and ratio analysis comparing results to prior year; and
	• Testing that management's cut-off procedures have been appropriately applied by agreeing a sample of revenue transactions to supporting manufacturing, despatch, and customer acceptance records as appropriate.
	
	The group's accounting policy on revenue recognition, including the key judgements and estimates in relation to it, are shown in the accounting policies section on page 56 and related disclosures are made in Note 1. The Audit and Risk Committee identified contract accounting judgements as a significant matter in its report on page 43, where it also describes the action that it has taken to address this issue.
	
	Key observations
	From the work performed we identified that the group's accounting policy in relation to revenue recognition over time was not accurately reflected in the revenue per the draft financial statements. As a result of this challenge, a material adjustment to reduce revenue and profit has been made to the financial statements by management. No other issues were identified from the work we performed in this area.
	
	Based on our audit work, we have found that revenue was accounted for in accordance with the group's accounting policies and IFRS 15.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Contingent liability in relation to the CSC incident Following the fatal accident at Chesterfield Special Cylinders Limited ("CSC") in June 2015, the resulting prosecution brought by the HSE and the guilty verdict delivered pursuant to Section 2 of the Health and Safety at Work Act 1974, the Group is awaiting the outcome of a sentencing hearing expected to be scheduled in early 2020. No provision has been recorded within the financial statements in relation to this as management consider it is not possible to determine with sufficient certainty what financial penalties will be levied as a result of the guilty verdict. However disclosure has been made in accordance with International Accounting Standard (IAS) 37 'Provisions, Contingent Liabilities and Contingent Assets'. The assessment of whether a reliable estimate can be made of the fine that the group will be required to pay is a significant judgement by management. We therefore identified the disclosures in relation to this incident as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Making enquiries of management and of the group's legal advisors to understand and assess management's conclusions in relation to the range of sentence (fine and costs) that could be awarded under the Sentencing Council's guidelines; and • Assessing the adequacy of the disclosures included within the financial statements. The group's accounting policy on provisions is shown in the accounting policies section on page 56 of the financial statements and related disclosures are included in Note 31. The Audit and Risk Committee identified this matter as a significant matter in its report on page 43, where it also describes the action that it has taken to address this issue. **Key observations** Based on our audit work, we have found that this matter has been accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and that the disclosures made in Note 31 to the financial statements appropriately describe the matter.
Impairment of goodwill and other non-current assets The carrying value of goodwill and other non-current assets at 28 September 2019 was £30.3 million. There is a risk that the carrying value of these assets exceeds their recoverable amount. Management performs an impairment review on an annual basis using discounted cash flows on a value in use basis. This involves management making a number of key judgements. The key judgements in assessing goodwill and other non-current assets for impairment include: • The growth and discount rates applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes; and • The identification of cash generating units following the divisional restructuring of the group. We therefore identified impairment of goodwill and other non-current assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing the integrity of the impairment models by testing the mechanical accuracy; • understanding the underlying process used by management to determine the discount rates, and using auditor's experts to assess them for reasonableness; • assessing the appropriateness of any changes to assumptions since the prior period; • challenging the identification of cash generating units following the divisional restructure of the group, with reference to the interdependence of the cash flows arising from the statutory entities within the divisions; • challenging the cash flow forecasts with reference to historical forecasts, actual performance and independent evidence to support any significant expected future changes to the business; and • assessing the adequacy of the disclosures included within the financial statements for compliance with IAS 36 'Impairment of Assets'. The group's accounting policy on impairment of goodwill and other non-current assets is shown in the accounting policies section on page 56 and related disclosures are included in Note 13. The Audit and Risk Committee identified impairment of goodwill and other non-current assets as a significant matter in the 'Impairment' section of its report on page 43, where it also describes the action that it has taken to consider this matter. **Key observations** Based on our audit work, we have concluded that the valuation of non-current assets has been accounted for in accordance with IAS 36, and that the disclosures made in Note 13 to the financial statements appropriately describe this matter.

Key Audit Matter – parent	How the matter was addressed in the audit – parent
Impairment of investments in subsidiaries The carrying value of investments in subsidiaries and other non-current assets was £43.9 million as at 28 September 2019. There is a risk that the carrying value of these assets exceeds their recoverable amount. Management performs an impairment review on an annual basis using discounted cash flows on a value in use basis. The key judgements in assessing the valuation of investments include the growth and discount rates applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes. We therefore identified impairment of investments and other non-current assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • determining the integrity of the impairment models by testing the mechanical accuracy; • understanding the process used by management to determine the discount rates, and using auditor's experts to assess them for reasonableness; • assessing the appropriateness of any changes to assumptions since the prior period; and • challenging management's cash flow forecasts with reference to historical forecasts, actual performance data and independent evidence supporting any significant expected future changes to the business. The company's accounting policy on valuation of investments is shown in the accounting policies section to the financial statements on page 57 and related disclosures are included in Note 4 to the company financial statements. **Key observations** Based on our audit work, we have concluded that the valuation of investments is accounted for in accordance with the requirements of IAS 36.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£145,000 which is 0.5% of revenue. This benchmark is considered the most appropriate because revenue is a key performance indicator of the group and is a stable base. Materiality for the current year is lower than the level that we determined for the period ended 29 September 2018 to reflect the year on year revenue reduction.	Materiality is based on 0.5% of total assets, capped at 75% of group materiality, which is £109,000. Total assets is considered the most appropriate benchmark as the parent company is primarily a holding company and its major activities relate to its investments in subsidiary undertakings. Materiality for the current year is lower than the level that we determined for the period ended 29 September 2018 to reflect the reduction in group materiality.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the audit committee	£7,250 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,450 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation by the group audit team of identified components to assess the significance of each component and to determine the planned audit response based on a measure of materiality;
- full scope audit procedures on the financial information of the parent company and all other non-dormant UK-based group components;
- targeted procedures for non-significant components with no external revenue; and
- the components subject to full scope audit procedures represent 100% of group revenue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities for the financial statements set out on pages 38 to 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

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

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

17 December 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 week period ended 28 September 2019

	Notes	52 weeks ended 28 September 2019 £'000	52 weeks ended 29 September 2018 £'000
Revenue	1	28,291	21,167
Cost of sales		(19,119)	(13,932)
Gross profit		9,172	7,235
Administration expenses		(6,938)	(6,186)
Operating profit before M&A costs, amortisation and exceptional charges and credits	1	2,234	1,049
Separately disclosed items of administrative expenses:			
Amortisation	4	(1,832)	(1,816)
Other exceptional charges	5	(450)	(511)
Operating loss		(48)	(1,278)
Finance costs	2	(467)	(400)
Loss before taxation	3	(515)	(1,678)
Taxation	10	126	313
Loss for the period from continuing operations		(389)	(1,365)
Discontinued operations			
Loss for the period from discontinued operations	6	(1,203)	(3,723)
Loss for the period attributable to the owners of the parent		(1,592)	(5,088)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency exchange differences on translation of foreign operations		(140)	(60)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of discontinued foreign operations		325	—
Total comprehensive income for the period attributable to the owners of the parent		(1,407)	(5,148)
Basic earnings per share			
From continuing operations	11	(2.1)p	(7.5)p
From discontinued operations	11	(6.5)p	(20.5)p
From loss for the period		(8.6)p	(28.0)p
Diluted earnings per share			
From continuing operations	11	(2.1)p	(7.5)p
From discontinued operations	11	(6.5)p	(20.5)p
From loss for the period		(8.6)p	(28.0)p

The accounting policies and notes on pages 50 to 85 form part of these financial statements.

As at 28 September 2019

	Notes	28 September 2019 £'000	29 September 2018 £'000
Non-current assets			
Goodwill	13	9,510	14,370
Intangible assets	14	6,598	11,444
Property, plant and equipment	15	14,042	12,032
Deferred tax asset	25	278	402
Other long-term financial assets	18	7,350	—
		37,778	38,248
Current assets			
Inventories	19	5,115	4,383
Trade and other receivables	20	9,541	11,998
Cash and cash equivalents		2,208	6,140
Current tax		95	35
		16,959	22,556
Total assets		54,737	60,804
Current liabilities			
Trade and other payables	21	(7,360)	(12,745)
Borrowings – asset finance leases	22	(656)	(241)
Borrowings – revolving credit facility*	22	(10,800)	—
		(18,816)	(12,986)
Non-current liabilities			
Other payables	21	(158)	(198)
Borrowings – asset finance leases	22	(2,116)	(836)
Borrowings – revolving credit facility*	22	—	(11,800)
Deferred tax liabilities	25	(1,561)	(1,591)
		(3,835)	(14,425)
Total liabilities		(22,651)	(27,411)
Net assets		32,086	33,393
Equity			
Share capital	26	930	930
Share premium account		26,172	26,172
Translation reserve		(280)	(465)
Retained earnings		5,264	6,756
Total equity		32,086	33,393

* The Group's existing RCF, which was put in place in October 2014, had been extended a number of times, and was due to expire in April 2020. Committed and credit approved terms were reached for the replacement RCF facility with the incumbent bank in September 2019. Documentation and signing was completed on 10 December 2019 and, in accordance with IAS 1, the borrowing has been classified as a current liability due within 6-12 months at the balance sheet date. At the date of these preliminary results the facility is classified as a long-term liability.

The accounting policies and notes on pages 50 to 85 form part of these financial statements.

The financial statements were approved by the Board on 17 December 2019 and signed on its behalf by:

Joanna Allen
Director

Company Number: 06135104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 week period ended 28 September 2019

	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 30 September 2017		725	21,637	(405)	11,846	33,803
Share based payments	27	—	—	—	(2)	(2)
Shares issued	26	205	4,535	—	—	4,740
Transactions with owners		205	4,535	—	(2)	4,738
Loss for the period – continuing operations		—	—	—	(1,365)	(1,365)
Loss for the period – discontinued operations		—	—	—	(3,723)	(3,723)
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	(60)	—	(60)
Total comprehensive income		—	—	(60)	(5,088)	(5,148)
Balance at 29 September 2018		930	26,172	(465)	6,756	33,393
Share based payments	27	—	—	—	100	100
Transactions with owners		—	—	—	100	100
Loss for the period – continuing operations		—	—	—	(389)	(389)
Loss for the period – discontinued operations		—	—	—	(1,203)	(1,203)
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	(140)	—	(140)
Other comprehensive income:						
Exchange differences on translation of discontinued foreign operations		—	—	325	—	325
Total comprehensive income		—	—	185	(1,592)	(1,407)
Balance at 28 September 2019		**930**	**26,172**	**(280)**	**5,264**	**32,086**

The accounting policies and notes on pages 50 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 week period ended 28 September 2019

	Notes	52 weeks ended 28 September 2019 £'000	52 weeks ended 29 September 2018 £'000
Operating activities			
Cash flows from operating activities	28	628	291
Finance costs paid		(464)	(394)
Income tax (paid)/refunded		159	(56)
Cash flows from discontinued operations		(2,534)	—
Net cash outflow from operating activities		(2,211)	(159)
Investing activities			
Proceeds from sale of fixed assets		—	127
Purchase of property, plant and equipment		(3,693)	(1,463)
Cash inflow on disposal of subsidiaries net of cash disposed of	29	1,277	1,088
Net cash used in investing activities		(2,416)	(248)
Financing activities			
Repayment of borrowings		(1,307)	(3,438)
Proceeds from lease financing		2,002	454
Shares issued		—	4,740
Net cash from financing activities		695	1,756
Net (decrease)/increase in cash and cash equivalents		(3,932)	1,349
Cash and cash equivalents at beginning of period		6,140	4,791
Cash and cash equivalents at end of period		2,208	6,140

The accounting policies and notes on pages 50 to 85 form part of these financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and IFRIC interpretations issued by the International Accounting Standards Board and the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 (FRS 101). These are presented on pages 86 to 94. The financial statements are made up to the Saturday nearest to the period end for each financial period.

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

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ended 28 September 2019. The consolidated financial statements have been prepared on a going concern basis.

Going concern

The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The principal risks and uncertainties are set out from page 27. The Financial Reporting Council issued "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" in 2016. The Directors have considered this when preparing these financial statements.

The Group's renegotiated revolving credit facility expires in December 2021 (see Note 22) and management have 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 2019/2020 and beyond and that the Group has sufficient cash reserves and headroom in financial covenants to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date when these financial statements have been signed.

Management have modelled the financial covenants in the forecasts and no breach is expected.

The Contingent Liability disclosed in Note 31 to these financial statements is a critical judgement in respect of going concern. Uncertainty over the outcome of the sentencing hearing and level of fine arises in particular in relation to the following:

- the level of culpability;
- the likelihood of harm;
- the matrix applied and starting point of the fine; and
- mitigations presented.

In relation to the Sentencing Guidelines and the quantum of any fine, which could be material, specific consideration has also been given to:

- Sentencing mitigation factors;
- Rights of appeal;
- Time to pay;
- Alternative sources of finance; and that
- The fine should be proportionate to the overall means of the offender in accordance with section 164 of the Criminal Justice Act 2003.

As part of the assessment process a number of scenarios have been modelled that consider the wide range of potential outcomes of the Contingent Liability. Management have sought expert option to inform their assessment, however there remains inherent uncertainty as to the outcome of the sentencing hearing and therefore the potential mitigations which leads to a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Nevertheless, after undertaking the assessments they have and considering the uncertainties set out above, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future and for these reasons they continue to adopt the going concern basis for preparing the financial statements.

New standards adopted as at 30 September 2018

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and several revenue-related interpretations. As part of the transition to IFRS 15 the Group has assessed whether the IFRS 15 criteria for the recognition of revenue over time are met. This has resulted in £1.7 million of revenue being recognised in the period ended 28 September 2019 that would have been recognised in future periods if IFRS 15 had not been adopted. Consideration has been given to the potential impact of recognition over time on the results for the period ended 29 September 2018, but due to the mix of ongoing contracts at 29 September 2018, the impact would have been immaterial.

New standards adopted as at 30 September 2018 continued

IFRS 15 'Revenue from Contracts with Customers' continued

The new standard has been applied using the modified retrospective approach without restatement as it had no material impact on previously reported results or retained earnings. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that were incomplete as at 30 September 2018.

IFRS 15 does not include any guidance on how to account for loss-making contracts. Accordingly, such contracts are accounted for using the guidance in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Under IAS 37, the assessment of whether a provision needs to be recognised takes place at the contract level and there are no segmentation criteria to apply. As a result, there are some instances where loss provisions recognised in the past have not been recognised under IFRS 15 because the contract as a whole is profitable. In addition, when two or more contracts entered into at or near the same time are required to be combined for accounting purposes, IFRS 15 requires the Group to perform the assessment of whether the contract is onerous at the level of the combined contracts. The Group also notes that the amount of loss accrued in respect of a loss-making contract under IAS 11 takes into account an appropriate allocation of construction overheads. This contrasts with IAS 37 where loss accruals may be lower as they are based on the identification of 'unavoidable costs'. There were no onerous contracts identified on adoption or during the year.

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods.

The adoption of IFRS 9 has impacted the impairment of financial assets to which the expected credit loss model applied. This affects the Group's trade receivables. For contract assets arising from IFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

The financial assets are initially measured at fair value and subsequently measured at amortised cost.

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. The Group's financial liabilities include borrowings and trade and other payables.

Standards and interpretations not yet applied by the Group

The following standard will be effective in future periods:

- IFRS 16 Leases (effective date 1 January 2019)

IFRS 16 will replace IAS 17 'Leases' and three related interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Group has decided not to early adopt.

Management is in the process of assessing the full impact of the standard. So far, the Group:

- has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2020, the Group has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset.
- believes that the most significant impact will be that the Group will need to recognise a right-of-use asset and a lease liability for the offices and production buildings currently treated as operating leases. At 28 September 2019 the future minimum lease payments amounted to £1,264,000. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.
- concludes that there will not be a significant impact to the finance leases currently held on the statement of financial position.

The Group has adopted IFRS 16 with effect from 29 September 2019 using the standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the Group needs to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Group is currently assessing the impact of applying these other transitional reliefs.

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

Contingent liabilities

In respect of the 2019 financial statements there is critical judgement in respect of the accounting for provisions and contingent liabilities and the impact on the Directors' assessment of Going Concern. Further details are disclosed in Note 31 to the financial statements. Uncertainty arises in particular in relation to the following:

- the level of culpability;
- the likelihood of harm;
- the matrix applied and starting point of the fine; and
- mitigations presented.

Revenue recognition

Continuing revenue arises mainly from the manufacture of pressure containment products and components and related services in the Group's core sectors which are Oil and Gas, Defence, Industrial Gases and Hydrogen Energy.

Under IFRS 15, in order to determine whether to recognise revenue, the Group follows a five-step process:

- Identifying the contract with a customer.
- Identifying the performance obligations.
- Determining a transaction price.
- Allocating the transaction price to the performance obligations.
- Recognising revenue when/as performance obligation(s) are satisfied.

Revenue in the Cylinders division is recognised over time as the product is being manufactured or a service being provided if any of the following criteria are met:

- The Group is creating a bespoke item which doesn't have an alternative use to the Group, the time between order and completion of the contract is over six months and the entity has a right to payment for work completed to date including a reasonable profit.
- The customer controls the asset that is being created or enhanced during the manufacturing process.
- Services provided where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Judgement is required when determining if a contract meets the criteria for recognition over time and the proportion of revenue to recognise as products are being manufactured. Judgement is also applied in determining how many performance obligations there are within each contract and whether the development phase represents a separate obligation. The stage of completion of a contract is determined either by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, or by reference to the completion of a physical proportion of the contract work. The basis used is dependent upon the nature of the underlying contract and takes into account the degree to which the physical proportion of the work is subject to certification procedures. Losses on contracts are recognised at the point when such losses become probable. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The revenue is measured at the fixed transaction price agreed under the contract. If the contract includes an hourly fee for services, revenue is recognised in the amount to which the Company has a right to invoice. Customers are invoiced on a bi-monthly basis and consideration is payable when invoiced. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue of the Cylinders division that does not meet the criteria for recognition over time is recognised at a point in time on notification that the product is ready for collection, despatch or delivery dependent on terms of sale.

Revenue of the Precision Machined Components division is not considered to meet the criteria for recognition over time and is recognised at a point in time on notification that the product is ready for collection, despatch or delivery dependent on terms of sale.

Critical accounting judgements continued

Stage of completion on contracts

The majority of contracts have payment terms based on contractual milestones, which are not always aligned to when revenue is recognised. The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as a contract liability in the statement of financial position. Similarly if the Group satisfies a performance obligation before it receives the consideration, then it will recognise either a contract asset or a receivable in its statement of financial position.

Impairment reviews – intangible & tangible assets

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

Business combinations – retention cash

The Group records retention cash balances for business combinations as part of the consideration, where it is expected to be paid.

Accounting for associates

Pressure Technologies plc holds 21% of the shares of Greenlane Renewables Inc ("GRN"). The resulting shareholding on completion of the disposal of the Alternative Energy division was a direct function of the funds raised by the Creation Capital Corporation on the Private Placement, over which the Group had no influence. The voting rights of the shares held by the Group are also restricted by certain escrow conditions and terms of associated agreements. As such the Group considers that it does not have significant influence over GRN and has not accounted for the investment as an associate entity.

Key sources of estimation uncertainty

Inventory provisions

The Directors have reviewed the level of inventory provisions carried against inventory in the light of outstanding current and anticipated customer orders. The future realisation of carrying amounts is affected by whether the anticipated level of orders is achieved. The level of inventory provisions is disclosed in Note 19 to the financial statements.

Valuation of intangible assets acquired through business combinations

The Directors estimate the value of intangible assets with reference to any advice received, based on their experience of the value of such assets in similar businesses and under similar market conditions. The carrying value of intangible assets is disclosed in Note 14 to the financial statements.

Stage of completion on contracts

Revenue recognised from construction contracts reflects management's best estimate about each contract's outcome and stage of progress but is subject to estimation uncertainty. For more complex contracts in particular, costs to complete and contract profitability are subject to more significant estimation uncertainty.

Contract costs

The Cylinders division has a number of sources of revenue, not all of which meet the criteria for recognition over time. The resources deployed are common to all activities and therefore internal labour and overhead costs attributed to a contract in determining the total contract cost reflect management's best estimate of the hours dedicated to the individual contracts.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 28 September 2019 (2018: to 29 September 2018). Subsidiaries are all entities which the Group has the power to control. 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.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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

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

If the fair values of identifiable net assets exceed the consideration transferred, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Revenue
Revenue is recognised in accordance with IFRS 15, 'Revenue from Contracts with Customers'. See 'Critical accounting judgements' and 'Key sources of estimation uncertainty' for details.

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

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

All share-based remuneration is ultimately recognised as an expense in the consolidated statement of comprehensive income with a corresponding credit to the profit and loss reserve.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to those 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. Property, plant and equipment is held at historical cost with the exception of assets acquired on business combinations. These are added at their fair value and depreciated accordingly. Land is not depreciated. Assets under construction are recognised when costs are incurred in the construction of an asset and are not depreciated until the asset is ready for use. Depreciation on other assets is applied on a straight-line basis so as to reduce the assets to their residual values over their estimated useful lives. The rates of depreciation used are:

Buildings	50 years
Plant and machinery	3 – 15 years

The estimates used for residual values and useful lives are reviewed as required, but at least annually. The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

Intangible assets

Development costs

Development costs are recognised at cost, net of amortisation or provision for impairment, where the recognition requirements under IAS 38 'Intangible Assets' are met. These are:

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

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

Intangible assets acquired as part of a business combination

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

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

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

Non-contractual customer relationships	5 – 10 years
Technology	7.5 – 15 years
Intellectual Property	15 years
IT systems & software licences	5 years
Development expenditure	5 – 15 years

Impairment testing of non-current assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combinations and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Leased assets

In accordance with IAS 17 'Leases', the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the asset. The related asset is recognised at the inception of the lease at its fair value or, if lower, the present value of the lease payments. A corresponding liability is recognised where the interest element of the lease payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

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

Inventories

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

Income taxes

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

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

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

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

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

- **Financial assets at amortised cost:** Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
    - they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
    - the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial instruments continued

Subsequent measurement of financial assets continued

- **Financial assets at fair value through profit or loss (FVTPL):** Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in Greenlane Renewables Inc. to be held at fair value through other comprehensive income (FVOCI). In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- **Financial assets at fair value through other comprehensive income (FVOCI):** The Group accounts for financial assets at FVOCI if the assets meet the following conditions:
  - they are held under a business model whose objective is to 'hold to collect' the associated cash flows and sell and,
  - the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

- **Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods):** AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables).

Any AFS financial assets will be measured at fair value. Gains and losses will be recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or was determined to be impaired, the cumulative gain or loss would be recognised in other comprehensive income after being reclassified from the equity reserve to profit or loss. Interest would be calculated using the effective interest method and dividends would be recognised in profit or loss within finance income.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Impairment of financial assets continued

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis; as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Cash and cash equivalents

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

Equity and reserves

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

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

Foreign currency translation

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

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

Grants

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

Pensions

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

Segment reporting

IFRS 8 requires operating segments to be identified on the basis of the internal reports about operating units of the Group that are regularly reviewed by the Chief Executive to allocate resources and to assess their performance. The Group operates two 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.
- Precision Machined Components: the manufacture of specialised, precision engineered valve wear parts used in the oil and gas industries.

During the year the Alternative Energy segment was disposed of (see Note 29).

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.

Investments in associates

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

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

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

The Group considers that it is likely to have significant influence over another entity when it has less than 50% but more than 20% of the voting rights of that entity.

Given Pressure Technologies has 40% of the voting rights of Kelley GTM, the Directors consider that it has significant influence and therefore it is treated as an associate.

Pressure Technologies plc holds 21% of the shares of Greenlane Renewables Inc ("GRN"). The resulting shareholding on completion of the disposal of the Alternative Energy division was a direct function of the funds raised by the Creation Capital Corporation on the Private Placement, over which the Group had no influence. The voting rights of the shares held by the Group are also restricted by certain escrow conditions and terms of associated agreements. As such the Group considers that it does not have significant influence over GRN and has not accounted for the investment as an associate.

Exceptional items

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

Borrowings

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

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

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

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

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

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

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation with an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where a liability is contingent on the occurrence or non-occurrence of uncertain future events or circumstances it is only recognised if a reliable estimate can be made of the amount of obligation.

1. Segment analysis

The financial information by segment detailed below is frequently reviewed by the Chief Executive who has been identified as the Chief Operating Decision Maker (CODM).

For the 52 week period ended 28 September 2019

	Cylinders £'000	Precision Machined Components £'000	Central costs £'000	Total £'000
Revenue				
– total	13,860	14,449	—	28,309
– revenue from other segments	—	(18)	—	(18)
– intra-segment revenue from discontinued operations	—	—	—	—
Revenue from external customers	13,860	14,431	—	28,291
Gross profit	4,996	4,198	(22)	9,172
Operating profit/(loss) before M&A costs, amortisation and exceptional charges and credits	2,089	1,879	(1,734)	2,234
Amortisation and M&A related exceptional items	—	(1,750)	(82)	(1,832)
Other exceptional charges	—	(398)	(52)	(450)
Operating profit/(loss)	2,089	(269)	(1,868)	(48)
Net finance costs	(15)	(30)	(422)	(467)
Profit/(loss) before tax	2,074	(299)	(2,290)	(515)
Segmental net assets*	7,946	54,403	(30,263)	32,086
Other segment information:				
Capital expenditure – property, plant and equipment	1,359	2,080	13	3,452
Depreciation	505	733	119	1,357
Amortisation	—	1,750	82	1,832

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

1. Segment analysis continued
For the 52 week period ended 29 September 2019

	Cylinders £'000	Precision Machined Components £'000	Central costs £'000	Total £'000
Revenue				
– total	9,942	11,551	—	21,493
– revenue from other segments	—	(83)	—	(83)
– intra-segment revenue from discontinued operations	—	(243)	—	(243)
Revenue from external customers	9,942	11,225	—	21,167
Gross profit	3,511	3,694	30	7,235
Operating profit/(loss) before M&A costs, amortisation and exceptional charges and credits	1,099	1,501	(1,551)	1,049
Amortisation and M&A related exceptional items	—	(1,741)	(75)	(1,816)
Other exceptional charges	(27)	(60)	(424)	(511)
Operating profit/(loss)	1,072	(300)	(2,050)	(1,278)
Net finance costs	(15)	(8)	(377)	(400)
Profit/(loss) before tax	1,057	(308)	(2,427)	(1,678)
Segmental net assets*	6,392	54,254	(39,045)	21,601
Other segment information:				
Capital expenditure – property, plant and equipment	410	600	18	1,028
Depreciation	473	635	125	1,233
Amortisation	—	1,741	75	1,816

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

The Group's revenue disaggregated by primary geographical markets is as follows:

	2019			2018		
Revenue	Cylinders £'000	Precision Machined Components £'000	Total £'000	Cylinders £'000	Precision Machined Components £'000	Total £'000
United Kingdom	8,388	7,411	15,799	5,123	5,904	11,027
Europe	2,701	4,467	7,168	2,363	3,758	6,121
Rest of the World	2,771	2,553	5,324	2,456	1,563	4,019
	13,860	14,431	28,291	9,942	11,225	21,167

The Group's largest customer, which is reported within the Cylinders segment, contributed 13% to the Group's revenue (2018: 7% reported in the Precision Machined Components segment).

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

Revenue	2019 £'000	2018 £'000
Oil and gas	16,272	12,405
Defence	9,118	6,420
Industrial gases	2,175	2,342
Hydrogen energy	726	—
	28,291	21,167

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

1. Segment analysis continued

The Group's revenue disaggregated by pattern of revenue recognition and category is as follows:

Revenue	2019 Cylinders £'000	2019 Precision Machined Components £'000	2018 Cylinders £'000	2018 Precision Machined Components £'000
Sale of goods transferred at a point in time	8,996	14,431	7,646	11,225
Sale of goods transferred over time	1,739	—	—	—
Rendering of services	3,125	—	2,296	—
	13,860	14,431	9,942	11,225

The following aggregated amounts of transaction values relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 28 September 2019:

Revenue	2020 £'000
Sale of goods – Cylinders	5,158

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

	2019 United Kingdom £'000	2019 Rest of the World £'000	2019 Total £'000	2018 United Kingdom £'000	2018 Rest of the World £'000	2018 Total £'000
Non-current assets	37,778	—	37,778	38,194	54	38,248
Additions to property, plant and equipment	3,452	—	3,452	1,030	63	1,093

2. Finance costs

	2019 £'000	2018 £'000
Interest payable on bank loans and overdrafts	421	377
Interest payable on finance leases	46	23
	467	400

3. Loss before taxation

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

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment – owned assets	1,291	1,173
Depreciation of property, plant and equipment – assets under finance lease and hire purchase agreements	66	60
(Profit)/loss on disposal of fixed assets	—	(73)
Amortisation of intangible assets acquired on business combinations	1,832	1,816
Amortisation of grants receivable	(40)	(86)
Staff costs – excluding share based payments (see Note 8)	9,765	8,654
Cost of inventories recognised as an expense	13,921	9,318
Operating lease rentals:		
– Land and buildings	360	162
– Machinery and equipment	62	36
Foreign currency (gain)/loss	10	(102)
Share based payments	100	30

4. Amortisation

	2019 £'000	2018 £'000
Amortisation of intangible assets	(1,832)	(1,816)
	(1,832)	(1,816)

5. Other exceptional charges

	2019 £'000	2018 £'000
Reorganisation and redundancy	(450)	(156)
CEO retirement costs	—	(346)
Costs in relation to HSE investigation	—	(9)
	(450)	(511)

The reorganisation costs (which are recognised in accordance with IAS 19) relate to costs of restructuring across the Group; the divisional split is given in Note 1.

6. Discontinued operations

On 4 June 2019, and as separately communicated to shareholders on that date, the Group completed the disposal of the entire issued share capital of its subsidiary, PT Biogas Holdings Limited ("Greenlane"), which was the holding company for the Group's Alternative Energy division. The loss for the year ended 28 September 2019 relating to this division was £2.8 million (period ended 29 September 2018: £1.1 million).

In the previous financial year, on 7 June 2018, the Group completed the disposal of its subsidiary Hydratron Limited. The loss for the year ended 28 September 2019 relating to this entity was £nil (period ended 29 September 2018: £1.9 million).

The results of both disposals are reflected in the prior period.

	36 weeks to 4 June 2019 £'000	52 weeks to 29 September 2018 £'000
Revenue	2,143	13,454
Expenses	(4,271)	(14,204)
Operating loss pre-exceptional costs	(2,128)	(750)
Amortisation	(558)	(768)
Finance (costs)/income	3	(6)
Exceptional costs:		
Reorganisation and redundancy	—	(192)
Costs to sell	(1,694)	(457)
Profit/(loss) after tax on disposal (Note 29)	3,095	(114)
Goodwill impairment	—	(1,692)
Loss before taxation	(1,282)	(3,967)
Taxation	79	244
Loss for the year	(1,203)	(3,723)

	2019 £'000	2018 £'000
Cash flows from discontinued operations		
Net cash used in operating activities	(2,534)	755
Net cash from investing activities	—	(65)
Net cash from financing activities	—	505
Net cash flows for the year	(2,534)	1,195

7. Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated financial statements	37	40
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	63	100
Fees payable to the Company's auditor for non-audit services:		
– Tax compliance services	37	25
– Tax advisory services	58	35
– Other services	—	11
– All other assurance services	14	10

8. Employee costs

Particulars of employees, including Executive Directors:

	2019 £'000	2018 £'000
Wages and salaries	8,234	7,130
Social security costs	848	736
Pension costs	437	313
Share based payments	100	30
Exceptional costs	354	475
	9,973	8,684

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

	2019 No.	2018 No.
Production	147	130
Selling and distribution	23	20
Administration	41	34
	211	184

The total number of employees employed by the Group in its continuing operations on 28 September 2019 was 223 (2018: 196).

9. Directors' remuneration

Particulars of Directors' remuneration are as follows:

	2019 £'000	2018 £'000
Emoluments	575	571
Pension costs	46	45
Employers' national insurance	70	68
Share based payments	43	(12)
Exceptional costs	—	336
	734	1,008

Please see the Report of the Remuneration Committee on pages 36 to 37 for full details of Directors' emoluments.

No Directors exercised any share options in the year.

During the year retirement benefits were accruing to two (2018: three) Directors in respect of defined contributions schemes.

Included in the aggregate emoluments for the period ended 28 September 2019 are payments of £16,367 (2018: £25,100) made to companies controlled by Directors.

The highest paid Director received total emoluments of £252,000 and pension contributions of £23,000 (2018: total emoluments of £513,000 and pension contributions of £22,000).

10. Taxation

	2019 Continuing £'000	2019 Discontinued £'000	2019 Total £'000	2018 Continuing £'000	2018 Discontinued £'000	2018 Total £'000
Current tax (credit)/expense						
Current tax	—	—	—	—	—	—
Over provision in respect of prior years	(220)	(79)	(299)	—	—	—
Foreign tax	—	—	—	—	—	—
	(220)	(79)	(299)	—	—	—
Deferred tax (credit)/expense						
Origination and reversal of temporary differences	(133)	—	(133)	(231)	(293)	(524)
Deferred tax assets no longer recognised	—	—	—	—	52	52
Over provision in respect of prior years	227	—	227	(82)	(3)	(85)
	94	—	94	(313)	(244)	(557)
Total taxation (credit)/expense	(126)	(79)	(205)	(313)	(244)	(557)

Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the period. Deferred tax is calculated at the rate applicable when the temporary differences unwind.

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

	2019 Continuing £'000	2019 Discontinued £'000	2019 Total £'000	2018 Continuing £'000	2018 Discontinued £'000	2018 Total £'000
Loss before taxation	(515)	(1,282)	(1,797)	(1,618)	(4,027)	(5,645)
Theoretical tax at UK corporation tax rate 19% (2018: 19%)	(98)	(243)	(341)	(307)	(765)	(1,073)
Effect of (credits)/charges:						
– non-deductible expenses and other timing differences	51	1	52	258	332	590
– disallowable release of deferred consideration	—	—	—	—	—	—
– other disallowable acquisition costs	—	—	—	—	—	—
– research and development allowance	(118)	—	(118)	(68)	—	(68)
– adjustments in respect of prior years	7	(79)	(72)	(82)	(3)	(85)
– non-taxable profit on disposal	—	(293)	(293)	—	—	—
– effect of unrealised losses on discontinued operations	—	535	535	(36)	76	40
– change in taxation rates	—	—	—	(5)	—	(5)
– effect of discontinued operations translation rates	62	—	62	—	11	11
– differences in corporation tax rates	—	—	—	—	54	54
– losses not previously recognised now utilised	(30)	—	(30)	(73)	—	(73)
– deferred tax assets no longer recognised	—	—	—	—	52	52
Total taxation credit	(126)	(79)	(205)	(313)	(244)	(557)

11. Earnings per ordinary share

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

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

For the 52 week period ended 28 September 2019

	Continuing £'000	Discontinued £'000	Total £'000
Loss after tax	(389)	(1,203)	(1,592)

			No.
Weighted average number of shares – basic			18,595,165
Dilutive effect of share options			9,234
Weighted average number of shares – diluted			18,604,399

Basic loss per share	(2.1)p	(6.5)p	(8.6)p
Diluted loss per share	(2.1)p	(6.5)p	(8.6)p
The Group adjusted earnings per share is calculated as follows:			
Loss after tax	(389)	(1,203)	(1,592)
Amortisation and M&A related exceptional items (Note 4)	1,832	558	2,390
Other exceptional charges and credits (Note 5)	450	(1,401)	(951)
Theoretical tax effect of the above adjustments	(434)	(428)	(862)
Adjusted earnings	1,459	(2,474)	(1,015)
Adjusted earnings per share	7.8p	(13.3)p	(5.5)p

For the 52 week period ended 29 September 2018

	Continuing £'000	Discontinued £'000	Total £'000
Loss after tax	(1,365)	(3,723)	(5,088)

			No.
Weighted average number of shares – basic			18,178,407
Dilutive effect of share options			17,944
Weighted average number of shares – diluted			18,196,351

Basic loss per share	(7.5)p	(20.5)p	(28.0)p
Diluted loss per share	(7.5)p	(20.5)p	(28.0)p
The Group adjusted loss per share is calculated as follows:			
Loss after tax	(1,365)	(3.723)	(5,088)
Amortisation and M&A related exceptional items (Note 4)	1,816	2,460	4,276
Other exceptional charges and credits (Note 5)	511	763	1,274
Theoretical tax effect of the above adjustments	(442)	(591)	(1,033)
Adjusted earnings	520	(1,091)	(571)
Adjusted earnings per share	2.9p	(6.0)p	(3.1)p

12. Dividends

No dividends have been declared in respect of the year ended 28 September 2019 or were declared in respect of the year ended 29 September 2018.

13. Goodwill

	Total £'000
Cost and gross carrying amount	
At 30 September 2017	16,062
Removed upon business disposal	(1,692)
At 29 September 2018	14,370
Removed upon business disposal (Note 29)	(4,860)
At 28 September 2019	**9,510**

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. The Group has goodwill in relation to the acquisitions shown above.

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 14.7% to the Precision Machined Components division (2018: 12.5%). The 2019 assessment, following the reorganisation of PMC to an integrated division, has been carried out at the divisional level.

The forecast is approved by management and the Board of Directors, and is based on a bottom up assessment of costs and uses the known and estimated pipeline. The forecasts used for years two to four assume revenue growth, returning to levels achieved in 2014 by 2022 and into perpetuity, no long-term rate of growth or inflation is incorporated into perpetuity.

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 the discount rates, growth rates and expected changes to selling prices and direct costs.

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

After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management believes that no impairment is required for Precision Machined Components.

Management is not aware of any other changes that would necessitate changes to its key estimates. At 28 September 2019, no reasonable expected change in the key assumptions (including a 5% decrease in forecast cash flows) would give rise to an impairment charge for Precision Machined Components.

14. Intangible assets

Cost	Intellectual property £'000	IT systems & Software licences £'000	Development expenditure £'000	Technology £'000	Non contractual customer relationships £'000	Total £'000
At 30 September 2017	2,796	476	564	5,316	12,646	21,798
Additions	—	326	44	—	—	370
Acquired through business combination	—	—	—	—	(766)	(766)
At 29 September 2018	2,796	802	608	5,316	11,880	21,402
Additions	—	226	—	—	—	226
Removed upon business disposal (Note 29)	—	(397)	(433)	(5,316)	—	(6,146)
At 28 September 2019	2,796	631	175	—	11,880	15,482
Amortisation						
At 30 September 2017	155	10	—	2,131	5,844	8,140
Charge for the period	187	98	40	703	1,556	2,584
Removed upon business disposal	—	—	—	—	(766)	(766)
At 29 September 2018	342	108	40	2,834	6,634	9,958
Charge for the period	186	91	—	—	1,555	1,832
Charge for the period – business disposal	—	—	47	511	—	558
Removed upon business disposal (Note 29)	—	(22)	(87)	(3,345)	(10)	(3,464)
At 28 September 2019	528	177	—	—	8,179	8,884
Net book value						
At 28 September 2019	2,268	454	175	—	3,701	6,598
At 29 September 2018	2,454	694	568	2,482	5,246	11,444
Remaining useful economic life at 28 September 2019	12 years	3 years	8 years	3 years	4 years	

15. Property, plant and equipment

	Assets under construction £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 30 September 2017	188	4,958	15,074	20,220
Additions	64	1	1,028	1,093
Removed upon business disposal	—	(234)	(707)	(941)
Disposals	—	—	(494)	(494)
At 29 September 2018	252	4,725	14,901	19,878
Additions	1,359	1	2,092	3,452
Additions – business disposal	—	—	15	15
Removed upon business disposal (Note 29)	—	—	(272)	(272)
Disposals	—	—	(259)	(259)
Transfers	(1,108)	—	1,108	—
At 28 September 2019	**503**	**4,726**	**17,585**	**22,814**
Depreciation				
At 30 September 2017	—	194	7,443	7,634
Charge for the period	—	66	1,312	1,378
Removed upon business disposal	—	(135)	(598)	(732)
Disposals	—	—	(436)	(436)
At 29 September 2018	—	125	7,721	7,846
Charge for the period	—	43	1,314	1,357
Charge for the period – business disposal	—	—	20	20
Removed upon business disposal (Note 29)	—	—	(192)	(192)
Disposals	—	—	(259)	(259)
At 28 September 2019	**—**	**168**	**8,604**	**8,772**
Net book value				
At 28 September 2019	**503**	**4,558**	**8,981**	**14,042**
At 29 September 2018	252	4,600	7,180	12,032

Included within the net book value of £14,042,000 is £1,120,000 (2018: £679,000) 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 £66,000 (2018: £60,000).

16. Subsidiaries

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in Note 4 to the parent company's separate financial statements on page 91.

Al-Met Limited, Martract Limited, Quadscot Holdings Limited, Quadscot Precision Engineers Limited and Roota Engineering Limited are exempt from the requirement of the Companies Act relating to the audit of individual financial statements by virtue of s479A of the Companies Act 2006.

17. Investments in associates

The investment in Kelley GTM, LLC was fully written down in the period ended 3 October 2015.

Had this not been the case the Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities, would be as follows:

	Country of incorporation	Assets £'000	Liabilities £'000	Revenues £'000	Loss £'000	Interest held %
At 29 September 2018						
Kelley GTM, LLC.	USA	548	(7,624)	703	(677)	40
At 28 September 2019						
Kelley GTM, LLC.	USA	**1,128**	**(8,624)**	**1,123**	**(151)**	**40**

KGTM has a year-end date of 31 December. The period for which the results of KGTM have been shown in the table above is from 29 September 2018 to 28 September 2019. The Group's share of the results of KGTM are not included in the Group's financial statements as the investment and loans made to KGTM are fully written down and there is no legal or constructive obligation to recognise any further losses and no further payments have been made on behalf of the associate.

The total losses recognised against the investment and other receivables from KGTM for the period were £nil (2018: nil) leaving unrecognised losses of £151,000 (2018: £677,000).

18. Other long-term financial assets

	2019 £'000	2018 £'000
Listed Security	1,250	—
Promissory Note	6,100	—
	7,350	—

The Group holds a listed security asset which related entirely to its shareholding in Greenlane Renewables and a Promissory Note which formed part of the consideration on sale of the Alternative Energy division in the year.

The fair value of the shareholding in Greenlane Renewables Inc was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see Note 24).

The Promissory Note is valued at amortised cost. The term of the note is four years with a repayment date of 3 June 2023. The note can be repaid any time within that time period. Interest is charged at 7% rolled up into the principal unless a trigger event occurs under the terms of the note which causes interest payments to be satisfied in cash. On initial recognition the value was assessed to be the face value. The note is denominated 50% in GBP and 50% in Canadian dollars. The asset is held solely to collect associated cash flows which relate to principal and interest only.

19. Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	2,023	2,428
Work in progress	3,010	1,890
Finished goods	82	65
	5,115	4,383

Inventories are stated net of provisions of £330,000 (2018: £325,000).

20. Trade and other receivables

	2019 £'000	2018 £'000
Current		
Trade receivables	7,058	8,384
Contract assets	1,056	1,106
Other receivables	425	646
Prepayments and accrued income	1,002	1,862
	9,541	11,998

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment.

Note 24 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. The above comparative for impairment provisions refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9, which is an expected loss model.

21. Trade and other payables

	2019 £'000	2018 £'000
Amounts due within 12 months		
Trade payables	3,341	3,741
Contract liabilities	—	3,698
Other tax and social security	369	689
Accruals, deferred income and other payables	3,650	4,617
Total due within 12 months	7,360	12,745
Amounts due after 12 months		
Accruals, deferred income and other payables	158	198
Total due after 12 months	158	198

With the exception of the non-current part of finance lease liabilities, all amounts are short term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

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

22. Borrowings

	2019 £'000	2018 £'000
Non-current		
Finance lease liabilities	2,116	836
Revolving credit facility	—	11,800
	2,116	12,636
Current		
Finance lease liabilities	656	241
Revolving credit facility	10,800	—
	11,456	241
Total borrowings	13,572	12,877

During the period the bank loan bore average coupons of 2% above LIBOR annually.

During the year the Group had in place a £15 million Revolving Credit Facility (RCF) which was drawn £10.8 million at the year end date. These bank borrowings are secured on the property, plant and equipment of the Group (see Note 15) by way of a debenture. Obligations under finance leases are secured on the plant & machinery assets to which they relate.

22. Borrowings continued

The Group's existing RCF, which was put in place in October 2014, had been extended a number of times, and was due to expire in April 2020. Fully sanctioned terms were reached for the replacement RCF facility with our incumbent bank in September 2019. Documentation and signing was however not completed until 10 December 2019 and as a result, in accordance with IAS 1, the borrowing has been classified as a current liability at the balance sheet date. The new facility, which is on substantially the same terms as the previous facility, is £12 million until end November 2020 and £10 million for the remainder of the term and expires in December 2021.

The key financial covenant remains the leverage covenant, which is tested quarterly, and has a maximum permitted net debt to adjusted EBITDA ratio of 3.25:1 for the first four quarterly test dates reducing to a maximum of 3:1 in the second year of the term.

The carrying amount of the other bank borrowings is considered to be a reasonable approximation of fair value. The carrying amounts of the Group's borrowings are all denominated in GBP.

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

	2019 £'000	2018 £'000
Due within one year		
Finance lease liabilities	656	241
Revolving credit facility	10,800	—
Due for settlement after one year		
Finance lease liabilities	2,116	836
Revolving credit facility	—	11,800

The Group has the following undrawn borrowing facilities:

	2019 £'000	2019 £'000
Expiring within one year	4,200	—
Expiring beyond one year	—	3,200

23. Contract balances

	2019 £'000	2018 £'000
Costs incurred and profit recognised to date	10,354	18,268
Less: Progress billings	(9,298)	(20,860)
Net balance sheet position for ongoing contracts	1,056	(2,592)

Representing:

	2019 £'000	2018 £'000
Contract assets (Note 20)	1,056	1,106
Contract liabilities (Note 21)	—	(3,698)
Net balance sheet position for ongoing contracts	1,056	(2,592)

24. Financial instruments

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statement of financial position are categorised based on the level of judgement associated with inputs used to measure the fair value.

The following fair value hierarchy reflects the significance of inputs of valuation techniques used in making fair value measurements and/or disclosures:

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 classified is determined based on the lowest level of significant input to one fair value measurement. No transfers in either direction have been made between the levels of fair value hierarchy during the period to 28 September 2019.

24. Financial instruments continued

The Group held the following categories of financial instruments:

		2019 Amortised cost £'000	2019 FVTPL £'000	2019 Total £'000	2018 Amortised cost £'000
Financial assets					
– Trade receivables	Level 3	7,058	—	7,058	8,384
– Other receivables	Level 3	1,427	—	1,427	646
– Cash and cash equivalents	Level 3	2,208	—	2,208	6,140
– Long-term financial asset – Listed Security	Level 1	—	1,250	1,250	—
– Long-term financial asset – Promissory Note	Level 2	6,100	—	6,100	—
		16,793	1,250	18,043	15,170

		2019 Amortised cost £'000	2019 FVTPL £'000	2019 Total £'000	2018 Amortised cost £'000
Financial liabilities					
– Trade payables	Level 3	3,341	—	3,341	3,741
– Accruals	Level 3	1,321	—	1,321	1,775
– Borrowings	Level 3	13,572	—	13,572	12,877
		18,234	—	18,234	18,393

Financial assets at FVTPL includes the equity investment in Greenlane Renewables Inc. The Group accounts for the investment at FVTPL and chose not to make the irrevocable election to account for it at FVOCI.

Following the application of IFRS 9, the investment was revalued as at 28 September 2019 and no impairment was deemed necessary, and therefore it is being held at its fair value.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The contractual maturity is also based on the earliest date on which the Group may be required to pay.

2019	Current within 6 months £'000	Current 6-12 months £'000	Non-current 1 to 5 years £'000	Total net payable £'000
Trade and other payables	4,662	—	—	4,662
Bank borrowings	—	10,800	—	10,800
Amounts due under hire purchase agreements	328	328	2,116	2,772
	4,990	11,128	2,116	18,234

2018	Current within 6 months £'000	Current 6-12 months £'000	Non-current 1 to 5 years £'000	Total net payable £'000
Trade and other payables	5,516	—	—	5,516
Bank borrowings	—	—	11,800	11,800
Amounts due under hire purchase agreements	121	120	836	1,077
	5,637	120	12,636	18,393

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, price 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 and credit risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for any speculative purposes. Whilst the Group enters into forward currency contracts during the period to mitigate foreign currency risk, it does not apply hedge accounting.

24. Financial instruments continued

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 US Dollars, Euros and Pounds Sterling. After netting off foreign currency receipts and payments, there is a net exposure to the risk of currency movements in US Dollars and Euros.

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		Financial liabilities	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Euro	556	2,156	196	767
US Dollar	784	2,158	477	437
CAN Dollar	3,051	2,114	4	372
NZ Dollar	2	74	—	16
	4,393	6,502	677	1,592

Foreign currency sensitivity analysis

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

	Euro currency impact		CAN Dollar currency impact		US Dollar currency impact	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Profit or loss	33	126	277	158	28	156

	NZ Dollar currency impact	
	2019 £'000	2018 £'000
Profit or loss	—	5

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.

Interest rate risk management

If interest rates had been 0.5% higher/lower and all other variables were held constant, the impact on the results in the consolidated statement of comprehensive income and equity would be an decrease/increase of £41,000 (2018: £38,000).

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. At 28 September 2019 the largest customer within trade receivables accounted for 12% (2018: 36%) of debtors. Management continually monitor this dependence on the largest customers and are continuing to seek new customers and enter new 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 consider that all financial assets that are not impaired or past due are of good credit quality. The credit risk on liquid funds is minimised by using counterparty banks with high credit-ratings assigned by international credit-rating agencies.

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.

24. Financial instruments continued

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 22, 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.

	2019 £'000	2018 £'000
Debt – Revolving credit facility	(10,800)	(11,800)
Debt – Finance leases	(2,772)	(1,077)
Cash and cash equivalents	2,208	6,140
Net debt	(11,364)	(6,737)
Equity	32,086	33,393

Debt is defined as long and short-term borrowings, as detailed in Note 22. 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.

25. 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	Unused losses £'000	Total £'000
At 30 September 2017	(430)	(1,604)	150	138	—	(1,746)
Prior year adjustment	—	—	—	—	—	—
Credit/(charge) to income	244	296	(97)	(33)	147	557
Acquired through business combinations	—	—	—	—	—	—
At 29 September 2018	(186)	(1,308)	53	105	147	(1,189)
Prior year adjustment	(211)	—	—	—	(16)	(227)
Credit/(charge) to income	(80)	295	(2)	18	(98)	133
Removed upon business disposal (Note 29)	—	—	—	—	—	—
At 28 September 2019	**(477)**	**(1,013)**	**51**	**123**	**33**	**(1,283)**

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

	2019 £'000	2018 £'000
Non-current asset		
Deferred tax asset	278	402
Non-current liabilities		
Deferred tax liabilities	(1,561)	(1,591)
	(1,283)	(1,189)

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

26. Called up share capital

	2019 No.	2018 No.	2019 £'000	2018 £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	18,595,165	18,595,165	930	930

27. 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 tenth grant of options was made in July 2019. The scheme rules were reviewed and updated in 2017 as required by HMRC. If the options remain unexercised after a period of three years and six months from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest and are treated as a cancellation if the employee chooses to stop contributing. Members of the scheme are required to remain employees of the Group and make regular contributions.

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

	2019 No.	Weighted average exercise price	2018 No.	Weighted average exercise price
Outstanding at the beginning of the period	452,473	106.6p	139,868	174p
Granted during the period	109,110	99.2p	385,533	97.6p
Lapsed during the period	—	—	—	—
Forfeited during the period	(40,559)	97.6p	(38,963)	157.1p
Cancelled during the period	(10,474)	97.6p	(28,748)	157.1p
Exercised during the period	—	—	—	—
Expired during the period	(49,900)	161.2p	(5,217)	593p
Outstanding at the end of the period	460,650	99.9p	452,473	106.6p

17,040 of the outstanding options were exercisable at the end of the period. The options outstanding at 28 September 2019 had a weighted average remaining contractual life of 2.0 years (2018: 2.4 years). The terms of these options are as follows:

Date of grant	Options outstanding at 28 September 2019	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
2 August 2016	17,040	3 years	147.5	150.0	6 months
26 July 2018	335,225	3 years	122.0	97.6	6 months
15 July 2019	108,385	3 years	119.0	99.2	6 months
Total options outstanding at 28 September 2019	460,650				

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

Pressure Technologies plc – Long Term Incentive Plan – Type 1

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

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

	2019 No.	Weighted average exercise price	2018 No.	Weighted average exercise price
Outstanding at the beginning of the period	206,469	259.0p	442,157	
Granted during the period	—	—	—	—
Lapsed during the period	(91,717)	269.5p	(235,688)	328.6p
Outstanding at the end of the period	114,752	250.6p	206,469	259.0p

27. Share based payments continued

Pressure Technologies plc – Long Term Incentive Plan – Type 1 continued

114,752 of the outstanding options were exercisable at the end of the period. The options outstanding at 28 September 2019 had a weighted average remaining contractual life of 2.1 years (2018: 3.0 years). The terms of these options are as follows:

Date of grant	Options outstanding at 28 September 2019	Vesting period	Market value at date of grant (p)	Exercise price (p)
3 April 2014	6,589	3 years	720.8	720.8
12 December 2014	10,035	3 years	473.3	473.3
25 June 2015	—	3 years	212.0	225.0
21 December 2015	98,128	3 years	196.2	196.2
Total options outstanding at 28 September 2019	114,752			

There are performance related conditions that apply to these options. The figures disclosed above show the options exercisable if all performance conditions are met. Full details of the performance conditions can be found in the Report of the Remuneration Committee. The options lapse if not exercised six years after the grant date. 114,752 options were exercisable as at the reporting date.

Pressure Technologies plc – Long Term Incentive Plan – Type 2

The Group adopted a new Long Term Incentive Plan (LTIP) on 3 September 2018; awards were granted to two Executive Directors and three senior managers under the scheme.

LTIP awards give a conditional right to shares at three separate points in time: 13 August 2021, 13 August 2022 and 13 August 2023, and the percentage of the total award of shares to be granted at these dates is 50%, 30% and 20% respectively. The amount of the award is determined by the participant's percentage entitlement to the award pool at 13 August 2021, and the size of the award pool itself is based upon performance criteria relating to growth in the parent company's share price and dividends over the period to 13 August 2021. The entitlement of Chris Walters and Joanna Allen in the overall award pool is 38% and 25% respectively. The value of payouts from the plan are capped on an individual basis but there is no specific limit on the number of share options that can be granted.

The fair value of the award pool is £239,000.

Pressure Technologies plc Performance Share Plan – Enterprise Management Plan

Pressure Technologies plc introduced this share option scheme in October 2009. These options are exercisable between three and five years following the date of grant. Options are forfeited if the employee leaves the Group before the options vest and are treated as a cancellation if the employee chooses to stop contributing.

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

	2019 No.	Weighted average exercise price	2018 No.	Weighted average exercise price
Outstanding at the beginning of the period	—	—	100,000	242.5p
Granted during the period	—	—	—	—
Lapsed during the period	—	—	(100,000)	242.5p
Exercised during the period	—	—	—	—
Outstanding at the end of the period	—	—	—	—

All of these options have now lapsed.

27. Share based payments continued

Valuation models

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

Model	Black-Scholes
Scheme:	SAYE
Date granted	15/07/2019
Share price at date of offer	119.0p
Exercise price	99.2p
Expected volatility	44%
Expected life	3 years
Risk free rate	0.5%
Expected dividend yield	0.0%
Fair value	£48,008

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

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

The total charge to the consolidated statement of comprehensive income in the period in respect of share based payments was £100,000 (2018: £2,000 credit). The charge is calculated in accordance with IFRS 2, 'Share Based Payments'. A deferred tax credit of £18,000 (2018: charge of £33,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

28. Consolidated cash flow statement

	2019 £'000	2018 £'000
Loss after tax – continuing operations	(389)	(1,365)
Loss after tax – discontinued operations	(1,203)	(3,723)
Adjustments for:		
Finance costs – net	467	394
Depreciation of property, plant and equipment	1,377	1,378
Amortisation of intangible assets	2,390	2,584
Share option costs	100	(2)
Income tax credit	(126)	(589)
Profit on disposal of property, plant and equipment	—	(69)
Goodwill impairment	—	1,692
Changes in working capital:		
Increase in inventories	(1,234)	(521)
Decrease/(increase) in trade and other receivables	402	(1,613)
(Decrease)/increase in trade and other payables	(1,156)	2,125
Cash flows from operating activities	628	291

29. Business disposals

On 4 June 2019, and as separately communicated to shareholders on that date, the Group completed the disposal of the entire issued share capital of its subsidiary, PT Biogas Holdings Limited, which was the holding company for the Group's Alternative Energy division, to Creation Capital Corp, a capital pool company listed on the TSX Venture Exchange. The business was reported by the Group as the Alternative Energy segment.

Following the conclusion of the private placement by Creation Capital Corp, the final consideration for the sale of £10.1 million comprised:

- £2.0 million cash;
- £2.0 million of Consideration Securities in Greenlane Renewables Inc ("Greenlane"), representing a 21% holding after satisfaction of certain fees and completion incentives; and
- £6.1 million by way of a Promissory Note. The Promissory Note will (i) be denominated 50% in pounds sterling and 50% in Canadian dollars; (ii) mature 48 months from Completion; (iii) bear interest at the rate of 7% per annum; and (iv) be secured by a pledge of all of the issued and outstanding Greenlane Ordinary Shares and all of the assets of Greenlane.

The table below summarises the profit on disposal of PT Biogas Holdings Limited:

	£'000
Sale proceeds	**10,100**
Net book value of assets disposed of:	
Goodwill	4,860
Property, plant & equipment	80
Intangible assets	2,682
Inventories	502
Trade and other receivables	2,055
Cash and cash equivalents	723
Trade and other payables	(4,222)
Profit on disposal	**3,420**
Other comprehensive income	
Exchange differences on translation of discontinued foreign operations	(325)
Profit on disposal net of other comprehensive income	**3,095**

30. Financial commitments

(a) Capital commitments

Commitments for capital expenditure entered into were as follows:

	2019 £'000	2018 £'000
Contracted for, but not provided in the accounts	632	—

This relates to the purchase of a long-lead-time robotic scanner for the Cylinders division due for delivery in the first half of the next financial year.

(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:

	2019 £'000	2018 £'000
Land and buildings:		
Within one year	230	215
In the second to fifth years inclusive	879	736
After more than five years	155	153
	1,264	1,104
Other assets:		
Within one year	49	72
In the second to fifth years inclusive	35	67
	84	139

30. Financial commitments continued

(b) Operating lease commitments continued

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

- A 15 year lease for Al-Met Limited's property commenced on 10 November 2010 with rent reviews at the end of year 5 and year 10 of the term;
- A 10 year lease on the property previously occupied by Hydratron Limited which commenced on 1 April 2015.

31. Contingent liabilities

Following the fatal accident at Chesterfield Special Cylinders Limited ("CSC") in June 2015, on 8 February 2019 upon the conclusion of their investigation, the Health and Safety Executive ("HSE") advised CSC that it intended to prosecute CSC in relation to the accident. During the preliminary hearing held on 6 March 2019 at Sheffield Magistrates Court, CSC submitted a plea of not guilty to a charge brought by HSE pursuant to the Health and Safety at Work Act 1974. The Company emphatically denied the charge brought by the HSE and the case was referred to Sheffield Crown Court and listed for trial. Trial proceedings concluded on 27 November 2019 and the jury delivered a guilty verdict pursuant to Section 2 of the Health and Safety at Work Act 1974. A sentencing hearing is expected to be scheduled in early 2020 and the financial penalty will be assessed and determined by the Court at that time. The Company continues to take legal advice on this matter and further information in respect of the impact on the Company and the Group's ability to continue as a going concern is set out in the basis of preparation statement on page 54.

On 1 February 2016 the Sentencing Council's new "Health and Safety Offences, Corporate Manslaughter and Food Safety and Hygiene Offences Definitive Guideline" (2016) came into force. The guideline, which is publically available and can be found on the Sentencing Council's website at www.https://www.sentencingcouncil.org.uk/offences/crown-court/item/organisations-breach-of-duty-of-employer-towards-employees-and-non-employees-breach-of-duty-of-self-employed-to-others-breach-of-health-and-safety-regulations/, sets a range of fines dependent on the levels of harm and culpability, and the size of the Company being charged. These levels are assessed by the Judge when sentencing and not at the time of charges being brought. At this time, due to the nature of the sentencing guidelines, it is not possible to determine with any degree of certainty what financial penalties will be levied on CSC as a result of the guilty verdict. At such time as the quantum of the penalty is able to be reliably determined, further disclosure and provision will be made in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Given the nature of the contingent liability the Director's have determined that the exemption given in IAS 37 from providing all disclosures where disclosure can be expected to prejudice seriously the position of the entity in relation to the sentencing hearing is appropriate.

32. Related party transactions

Key management personnel are considered to be the Executive and Non-Executive Directors of the Group. Details of their remuneration is set out below:

	2019 £'000	2018 £'000
Short-term employee benefits (including Employer's NI)	645	975
Post-employment benefits	46	45
Share based payments	43	(12)
Total remuneration	734	1,008

The interests of Directors in dividends paid during the year are disclosed in the Report of the Remuneration Committee. During the period ended 28 September 2019, Pressure Technologies spent £14,494 (2018: £37,108) with Vias Digital Limited in which one of the previous Non-Executive Directors, Alan Wilson, is a connected person. £1,800 was outstanding to be paid at the year end date (2018: nil). The transactions were completed on an arm's length basis.

During the period ended 3 October 2015, Pressure Technologies purchased five Gas Transportation Modules (GTMs) from Kelley GTM, LLC, in which the Group owns a 40% stake. These GTMs were purchased at a cost of £391,000 with the intention of entering them into a lease fleet of GTMs in operation, in which they remain at the period end. The GTMs owned by Pressure Technologies Group are disclosed within property, plant and equipment at their carrying value. The transaction was completed on an arm's length basis.

The Group also has loans due from Kelley GTM, LLC of $3,500,000. The Directors consider that the recoverability of these loans is not certain and therefore made full provision against the value of the loans in the period ended 3 October 2015.

As at 28 September 2019

	Notes	28 September 2019 £'000	29 September 2018 £'000
Fixed assets			
Investments	4	32,918	37,778
Other long-term financial assets	5	7,350	—
Intangible fixed assets	6	244	320
Tangible fixed assets	7	3,374	3,484
		43,886	41,582
Current assets			
Debtors	8	997	14,790
Cash at bank and in hand		203	440
		1,200	15,230
Creditors: amounts falling due within one year			
Borrowings – trade and other payables	9	(496)	(916)
Borrowings – revolving credit facility*	9	(10,800)	—
Net current (liabilities)/assets		(10,096)	14,314
Creditors: amounts falling due after more than one year			
Borrowings – amounts due on hire purchase contracts	9	(31)	(61)
Borrowings – revolving credit facility	9	—	(11,800)
Net assets		33,759	44,035
Capital and reserves			
Called up share capital	11	930	930
Share premium account	13	26,172	26,172
Profit and loss account	13	6,657	16,933
Equity shareholders' funds		33,759	44,035

* The Group's existing RCF, which was put in place in October 2014, had been extended a number of times, and was due to expire in April 2020. Committed and credit approved terms were reached for the replacement RCF facility with the incumbent bank in September 2019. Documentation and signing was completed on 10 December 2019 and, in accordance with IAS 1, the borrowing has been classified as a current liability due within 6-12 months at the balance sheet date. At the date of these preliminary results the facility is classified as a long-term liability.

The Company reported a loss for the 52 week period ended 28 September 2019 of £10,333,000 (2018: loss of £5,196,000).

The accounting policies and notes on pages 86 to 94 form part of these financial statements.

Approved by the Board on 17 December 2019 and signed on its behalf by:

Joanna Allen
Director

For the 52 week period ended 28 September 2019

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 30 September 2017	725	21,637	22,131	44,493
Share based payments	—	—	(8)	(8)
Share options granted to subsidiary companies	—	—	6	6
Shares issued	205	4,535	—	4,740
Transactions with owners	205	4,535	(2)	4,738
Loss for the period	—	—	(5,196)	(5,196)
Balance at 29 September 2018	930	26,172	16,933	44,035
Share based payments	—	—	57	57
Transactions with owners	—	—	57	57
Loss for the period	—	—	(10,333)	(10,333)
Balance at 28 September 2019	**930**	**26,172**	**6,657**	**33,759**

The accounting policies and notes on pages 86 to 94 form part of these financial statements.

1. Accounting policies

Statement of compliance

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

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the financial year in the financial statements of the holding Company was £10,333,000 (2018: £5,196,000) after applying a tax credit (Note 10) of £90,000 (2018: £49,000) to the loss before tax of £10,423,000 (2018: £5,245,000).

Going concern

The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The principal risks and uncertainties are set out from page 27. The Financial Reporting Council issued "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" in 2016. The Directors have considered this when preparing these financial statements.

Management has produced forecasts for all business units which have been reviewed by the Directors. These demonstrate that the Group is forecast to generate profits and cash in 2019/2020 and beyond and that the Group has sufficient cash reserves and bank facilities to enable it to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed.

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

Disclosure exemptions adopted

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

1. A statement of cash flows and related notes
2. The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the Group as they are wholly owned within the Group
3. Capital management disclosures
4. The effect of future accounting standards not adopted
5. Certain share based payment disclosures

Investments

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

Intangible assets

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

The following useful lives are applied:

IT systems & Software	3-5 years

Tangible assets

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

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

Plant and machinery	3-4 years
Buildings	50 years
Computer equipment	3-5 years

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

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

1. Accounting policies continued

Finance leases

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

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

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

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

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

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

All other leases are treated as operating leases.

Post-employment benefit plans

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

Share based payments

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

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

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

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

Equity, reserves and dividend payments

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

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

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

1. Accounting policies continued

Income taxes

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

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

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

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

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

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

On the initial recognition of a transaction that is not a business combination and at the time of the transaction affects neither the accounting nor taxable profit.

Deferred tax liabilities are not discounted.

2. Employees

Average weekly number of employees, including Executive Directors:

	2019 Number	2018 Number
Administration	10	10

Staff costs, including Directors:

	2019 £'000	2018 £'000
Wages and salaries	969	966
Social security costs	123	119
Other pension costs	97	86
Share based payments	57	(8)
Exceptional costs	100	416
	1,346	1,579

Further details of Directors' remuneration are provided in the Report of the Remuneration Committee and Note 9 to the consolidated financial statements.

3. Operating profit

The auditor's remuneration for the audit and other services is disclosed in Note 7 to the consolidated financial statements.

4. Investments in subsidiary companies

	Investment in subsidiary companies £'000
Cost and net book value	
At 29 September 2018	37,778
Disposed of in the year	(4,860)
At 28 September 2019	**32,918**

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

Name	Country of incorporation	Principal activity
Al-Met Limited*	England & Wales	Manufacturing
Chesterfield Special Cylinders Limited ("CSC")	England & Wales	Manufacturing
CSC Deutschland GmbH*	Germany	Sales and marketing
Chesterfield Special Cylinders Inc (formerly Hydratron Inc)*	USA	Manufacturing
Roota Engineering Limited*	England & Wales	Manufacturing
Pressure Technologies US, Inc	USA	Holding company
Quadscot Precision Engineers Limited*	Scotland	Manufacturing
Quadscot Holdings Limited*	Scotland	Holding company
Chesterfield Tube Company Limited	England & Wales	Dormant
Chesterfield Pressure Systems Group Limited	England & Wales	Dormant
Chesterfield Cylinders Limited	England & Wales	Dormant
Martract Limited*	England & Wales	Manufacturing
PT Precision Machined Components Limited*	England & Wales	Holding company
Precision Machined Components Limited	England & Wales	Dormant

* Indirectly held subsidiaries.

All the UK based subsidiaries have as their registered office the following address:

Unit 6b, Newton Business Centre, Newton Chambers Road, Chapeltown, Sheffield, S35 2PH.

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

Al-Met Limited, Martract Limited, Quadscot Holdings Limited, Quadscot Precision Engineers Limited and Roota Engineering Limited are exempt from the requirement of the Companies Act relating to the audit of individual financial statements by virtue of s479A of the Companies Act 2006.

5. Other long-term financial assets

	2019 £'000	2018 £'000
Listed Security	1,250	—
Promissory Note	6,100	—
	7,350	—

The Group holds a listed security asset which related entirely to its shareholding in Greenlane Renewables and a Promissory Note which formed part of the consideration on sale of the Alternative Energy division in the year.

The fair value of the shareholding in Greenlane Renewables Inc was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see Note 24 of the consolidated statements).

The Promissory Note is valued at amortised cost. The term of the note is four years with a repayment date of 3 June 2023. The note can be repaid any time within that time period. Interest is charged at 7% rolled up into the principal unless a trigger event occurs under the terms of the note which causes interest payments to be satisfied in cash. On initial recognition the value was assessed to be the face value. The note is denominated 50% in GBP and 50% in Canadian dollars. The asset is held solely to collect associated cash flows which relate to principal and interest only.

6. Intangible fixed assets

	IT Systems & Software £'000
Cost	
At 29 September 2018	405
Additions	6
At 28 September 2019	**411**
Amortisation	
At 29 September 2018	85
Charge for the period	82
At 28 September 2019	**167**
Net book value	
At 28 September 2019	**244**
At 29 September 2018	320

7. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost				
At 29 September 2018	3,355	445	127	3,927
Additions	—	—	9	9
At 28 September 2019	**3,355**	**445**	**136**	**3,936**
Depreciation				
At 29 September 2018	40	356	47	443
Charge for the period	10	80	29	119
At 28 September 2019	**50**	**436**	**76**	**562**
Net book value				
At 28 September 2019	**3,305**	**9**	**60**	**3,374**
At 29 September 2018	3,315	89	80	3,484

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

8. Debtors

	2019 £'000	2018 £'000
Amounts: falling due within one year		
Trade debtors (net of doubtful debt provision)	9	—
Prepayments and accrued income	214	153
Other debtors	250	313
Amounts owed by Group companies	367	14,257
Corporation tax	95	—
Deferred tax (Note 12)	62	67
	997	14,790

9. Creditors

	2019 £'000	2018 £'000
Amounts: falling due within one year		
Trade creditors	174	187
Other tax and social security	40	47
Accruals and deferred income	225	653
Other payables	28	—
Amounts due on hire purchase contracts	29	29
	496	916
Revolving credit facility	10,800	—

	2019 £'000	2018 £'000
Amounts: falling due after one year		
Amounts due on hire purchase contracts	31	61
Revolving credit facility	—	11,800

Details of bank borrowings are set out in Note 22 to the consolidated financial statements. All of the Company's assets are subject to fixed and floating charges as part of the Group's cross-guarantee agreement with the Bank of Scotland. At 28 September 2019 the amount thus guaranteed by the Company was £nil (2018: £nil).

10. Taxation

	2019 £'000	2018 £'000
Current tax		
Current tax credit	—	—
Over provision in respect of prior years	(95)	—
	(95)	—
Deferred tax		
Origination and reversal of temporary differences	(15)	(18)
Over provision in respect of prior year	20	(31)
Total taxation credit	(90)	(49)

Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the period.
Deferred tax is calculated at 17% (2018: 17%).

11. Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in Note 26 to the consolidated financial statements.

12. Deferred tax

	2019 £'000	2018 £'000
Opening balance for the period	67	18
(Charge)/credit for the period	(5)	49
Closing balance for the period	62	67

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

	2019 £'000	2018 £'000
Cost of share options	46	36
Accelerated capital allowance	15	30
Other temporary differences	1	1
	62	67

13. Reserves

	Share premium account 2019 £'000	Profit and loss account 2019 £'000	Share premium account 2018 £'000	Profit and loss account 2018 £'000
At beginning of period	26,172	16,933	21,637	22,131
Loss for the financial period	—	(10,333)	—	(5,196)
Share option cost	—	57	—	(8)
Share options granted to subsidiary employees	—	—	—	6
Shares issued	—	—	4,535	—
At end of period	26,172	6,657	26,172	16,933

See Note 26 in the consolidated financial statements for details of the movements on share capital and share premium in the year.

14. Related party transactions

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

The interests of Directors in dividends paid during the year are disclosed in the Report of the Remuneration Committee. For details of other related party transactions, see Note 32 in the consolidated financial statements.

15. Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

Directors	N.A. MacDonald – Non-Executive Chairman C.L Walters – Chief Executive J.C. Allen – Chief Financial Officer B.M. Newman – Non-Executive Director
Secretary	J.C. Allen
Investor relations	IFC Advisory Ltd 24 Cornhill London EC3V 3ND
Registered office	Newton Business Centre Newton Chambers Road Chapeltown Sheffield South Yorkshire S35 2PH
Registered number	06135104
Website	www.pressuretechnologies.com
Nominated advisor	N+1 Singer 1 Bartholomew Lane London EC2N 2AX
Auditor	Grant Thornton UK LLP No 1 Whitehall Riverside Leeds LS1 4BN
Solicitors	Keebles LLP Commercial House Commercial Street Sheffield S1 2AT
Bankers	Lloyds Bank 14 Church Street Sheffield S1 1HP
Registrars	Neville Registrars Neville House 18 Laurel Lane Halesowen B63 3DA

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