Pressure Technologies

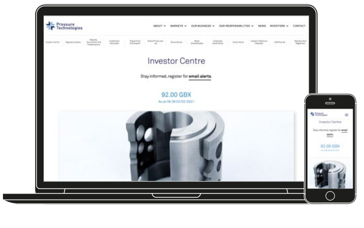
ANNUAL REPORT 2020

Advancing safety and reliability in demanding environments.

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.

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



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INTRODUCTION

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.

OUR BUSINESSES

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

Maintaining safety and business continuity throughout the period

Managing risk

Risks and Uncertainties
See page 28

Supporting stakeholders

Our Stakeholders
See page 06

Operating responsibly

Business Review
See page 14

Maintaining our vision

Vision and Strategy
See page 09

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 hydrogen energy markets.

Whilst these results reflect an extraordinarily challenging year, the operational changes and strategic progress made since 2019 put the Group in a stronger position to face the impact of the Covid-19 pandemic and depressed oil and gas market throughout FY20. I would like to thank all our employees for their continued hard work and commitment through this period.

Whilst we remain cautious regarding oil and gas market conditions, the increasing momentum in hydrogen and the strong orderbook for defence and nuclear customers underpin the Board's confidence in the outlook for 2021 and beyond.

Chris Walters
Chief Executive

FINANCIAL HIGHLIGHTS

Group revenue*

£25.4M
(2019: £28.3m)

Gross profit margin

21.1%
(2019: 32.4%)

Adjusted operating loss**

£(2.4)M
(2019: £2.2m operating profit)

Reported loss before tax

£(20.0)M
(2019: £(0.5)m)

Adjusted earnings per share*

6.4P
(2019: 7.8p)

Reported basic loss per share

(101.5)P
(2019: (2.1)p)

Adjusted net operating cash inflow***

£1.7M
(2019: £2.0m)

Net debt

£7.4M
(2019: £11.4m)

* Operating loss excluding amortisation, impairments and other exceptional costs.
** Before cash outflow for exceptional costs and excluding cash flows associated with discontinued operations.
*** Total net debt includes gross borrowings, asset finance leases, right of use asset leases, less cash and cash equivalents.

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 four sites with over 200 people across the UK.

WHAT WE VALUE MOST

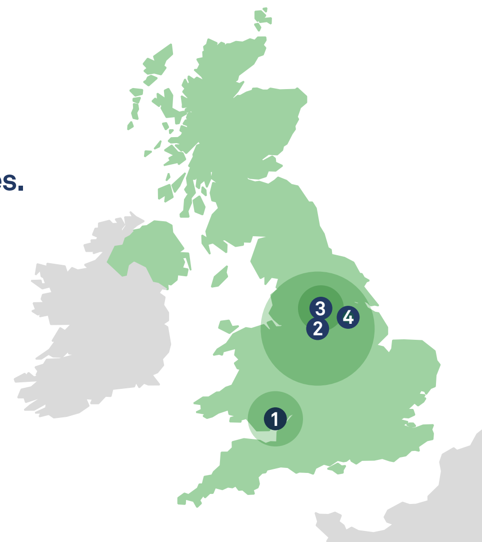
Everything we do as a Company stems from our core values.

- We Put People First.
- We Work with Each Other.
- We Innovate and Create the Future.
- We Deliver to the Highest Standard.

To read more see page 05

WHERE WE OPERATE

Our manufacturing is UK based, with businesses serving a global blue chip customer base from four operational sites.



Key

1 Al-Met
2 CSC/Head Office
3 Roota
4 Martract

WHAT WE DO

We build on our unrivalled 120 years of engineering heritage, by hiring and developing highly skilled craftsmen and design engineers who have the creativity and ingenuity required to solve complex design and manufacturing challenges.

This differentiates us from competitors and we are committed to continuously investing in people and technologies to position the Company at the forefront of engineering excellence.

To read more see page 12

- 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.

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.

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 which can compete for ultra large cylinder contracts.

CSC's high-pressure cylinders are a critical component for a number of end applications, from high-pressure systems in naval submarines and surface vessels to oxygen cylinders in fighter jets, from the bulk storage of industrial gases to air pressure vessels in floating oil platform motion compensation systems and more recently for hydrogen transport refuelling and energy storage.

Integrity Management services is 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 15

Revenue

£11.2M

Gross margin

26%

CHESTERFIELD SPECIAL CYLINDERS
INTEGRITY MANAGEMENT CHESTERFIELD SPECIAL CYLINDERS

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 subsea oil exploration and wear parts for offshore and onshore oil production.

To read more see page 16

Revenue

£14.2M

Gross margin

17%

PMC Precision Machined Components
Al-Met
ROOTA Engineering Ltd
QUADSCOT PRECISION ENGINEERS LTD
MARTRACT

Focused on advancing strategic plans

The Group's strategy remains focused on the diversification, continued development, and organic growth of both divisions.

Sir Roy Gardner
Chairman

As Chairman of the Board I have a clear focus on good governance and ensuring that the Company stays on track to success as we continue to navigate through unprecedented times.

Our Covid-19 Response
To read more see page 18

Introduction to Governance
To read more see page 34

Audit and Risk Committee Report
To read more see page 47

Overview

Whilst 2020 has without doubt been a unique and challenging year, I have been impressed by and am proud of the response of the entire team at Pressure Technologies.

We entered this year with a clear vision for growth and strong momentum against our strategic plans and priorities. The Covid-19 pandemic has brought significant headwinds to our markets and operations, which is reflected in our financial performance, but I am pleased to report that we have made further progress against these plans and priorities.

The investments made since 2019 have underpinned growing diversification across both divisions this year. Strengthened engineering, sales and production capabilities have supported new customer acquisitions and further penetration in our target markets, helping place the Group in a stronger position to cope with the ongoing uncertainty, particularly in oil and gas markets.

From the onset of the pandemic in March, we were quick to take decisive action, prioritising the safety and wellbeing of our teams whilst ensuring business continuity and maintaining active communications with customers and colleagues across all our sites throughout the crisis. The investments made across our teams and operations, particularly in management, HR and IT, have been fundamental to our ability to deliver this effective response and I would personally like to thank all of our colleagues for the leadership and commitment they have shown throughout the year.

Results

Covid-19 and the resulting macro-economic uncertainty has been felt in varying degrees across our markets throughout the year and it has also impacted performance. This has been compounded by slower operational progress than anticipated in some areas of the business.

Overall Group revenue decreased to £25.4 million (2019: £28.3 million) resulting in an adjusted operating loss for the year of £2.4 million (2019: £2.2 million adjusted operating profit).

The Group made a loss before taxation of £20.0 million (2019: £0.5 million) which included amortisation, impairment and exceptional costs totalling £17.6 million.

The phasing of major defence contracts in our Chesterfield Special Cylinders (CSC) division and the deferral of revenue and profit of a major contract from late in the year into FY21, overshadowed what was otherwise a good performance for CSC, particularly for our Integrity Management services business, which delivered its fifth consecutive year of growth. The diversification of end markets in CSC continues to reduce the historical dependence on the oil and gas sector and we have been particularly pleased with the good progress made in the rapidly developing hydrogen energy market, which presents significant growth opportunities for the Group.

The Precision Machined Components (PMC) division delivered revenue of £14.2 million (2019: £14.4 million), but reported an operating loss of £0.7 million (2019: £1.9 million operating profit) driven by lower than expected gross margins and higher indirect overhead and depreciation costs resulting from the growth investment made since 2019. Poor operational performance in the first half of the year failed to improve in the pandemic-impacted second half. This was compounded by a depressed oil price, which resulted in continued disruption and uncertainty for customers and the deferral of project spend, significantly impacting order intake. Prudent steps have been taken to stabilise and protect capability in this area of the business, ensuring PMC is positioned for market recovery.

Strengthened balance sheet

The Group has maintained tight control of costs throughout the year with proactive steps taken to preserve cash, including further site consolidation and management restructuring where appropriate. We are also pleased to have received strong support from our bank which, since the year end, has approved amendments to and an extension of the Group's revolving credit facility (RCF) to the end of November 2022 with updated financial covenants.

On 18 December 2020, the Group was also pleased to successfully complete a £7.5 million (before expenses) fundraise from new and existing shareholders to support exciting growth opportunities for CSC in the hydrogen energy market and in the Integrity Management services business. The fundraise also provides additional balance sheet strength for the Group.

Board

I was delighted to join the Board of Pressure Technologies in January 2020 and I look forward to working with the Executive team and my fellow Non-Executive Directors as the Group continues to make further progress against its strategy for growth. In March 2020, Neil MacDonald retired from the Board and I would like to thank Neil for his service to the Group since his appointment in June 2013.

In October 2020, we announced that Group CFO, Joanna Allen had stepped down from the Board after five years with the Group and that Group Financial Controller, James Locking had been appointed Interim Group Finance Director in a non-Board position. I would like to thank Joanna for her contribution and service during her five years with the business.

LIVING OUR VALUES

We Put People First

Fundamental to who we are is how we behave with others. Respect, dignity, diversity, mutual trust and care for each other as people is at the heart of our culture. Physical and emotional safety are vital to the health and wellbeing of our colleagues and their families and are the primary guide to our behaviour and practices.

We Work with Each Other

Critical to our success is our ability and willingness to listen, cooperate, collaborate and support each other. We also encourage and demonstrate the courage to constructively challenge and be honest with each other in order to achieve the best outcome for the Company, our customers and each other.

We Innovate and Create the Future

In order to continuously improve, succeed and grow, we anticipate and adapt to our changing environment and respond positively and creatively to the demands and expectations of our customers and end markets.

We Deliver to the Highest Standard

Be it to our customers, on our promises or to each other, we take personal and collective responsibility, pride and ownership of our work and its quality. Through adherence to process and by learning, we deliver on our objectives, achieve our goals and celebrate our successes.

As part of our plans to further strengthen the Board and reinforce governance and culture, the Group was pleased to announce the appointment of Tim Cooper as Non-Executive Director in January 2020 and the appointment of Mike Butterworth as Non-Executive Director and Chair of the Audit and Risk Committee in June 2020. Both Tim and Mike bring complementary skills and experience which will be invaluable as we grow the business and realise its significant potential.

Outlook

The Group's strategy remains focused on the diversification, continued development, and organic growth of both divisions.

In PMC, our priority remains to stabilise and protect the consolidated operations, complete operational efficiency improvements and maintain service levels for our growing base of OEM customers, as we seek to conserve cash and recover profitability.

CSC entered FY21 with a strong order book and we will continue to drive the operational improvements that underpin margin growth from established defence, energy and industrial contracts. The successful fundraising will enable us to strengthen our capabilities across this division to realise the significant growth opportunities, particularly in the exciting hydrogen energy market.

Sir Roy Gardner
Chairman

13 January 2021

Working together with our stakeholders

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, Suppliers, Government and Regulators and the Communities in which the Group's businesses operate. The Company actively encourages good communications with all 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
- 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 via 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, using a benchmarked UK index provided by Best Companies. The second survey was carried out in October 2019 with an improved response rate and engagement scores across the Group. The survey was repeated in October 2020 and a further mid-term survey is planned for April 2021.

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

We do this by
Through strong management, we have demonstrated resilience during challenging market conditions, responding to changing environments, including the Covid-19 pandemic, and reviewing the focus of the Group to ensure we remain well positioned to deliver value to shareholders. The executives meet periodically with the Group's larger financial investors.

Key areas of interest
- 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.

More information
Our Covid-19 Response 18

SUPPLIERS

We do this by

Strong and forward-looking relationships with our suppliers allow us to deliver our products and services on time and in accordance with high standards.

Key areas of interest

- We have continued to focus on strengthening our supplier relationships and performance this year, collaborating closely to ensure that our customer needs are met.
- We measure and report on supplier quality and on-time delivery performance.
- Our supplier relationship managers ensure that any issues are dealt with promptly and we hold regular meetings with our suppliers to review performance and the outlook for demand.
- We remain committed to the establishment of long-term strategic relationships with our suppliers to improve the efficiency of our operations and to support the long-term commitments made to us by our customers.

GOVERNMENT & REGULATORS

We do this by

As a technical leader in our field, we contribute to the development of technical, safety and operational standards that relate to the products we design and manufacture.

Key areas of interest

- We engage periodically with local and national government representatives and have encouraged visits to our sites.
- We participate regularly in expert working groups with industry and regulatory bodies.
- We communicate regularly and openly regarding policies that relate to the sectors we are involved in.

COMMUNITY

We do this by

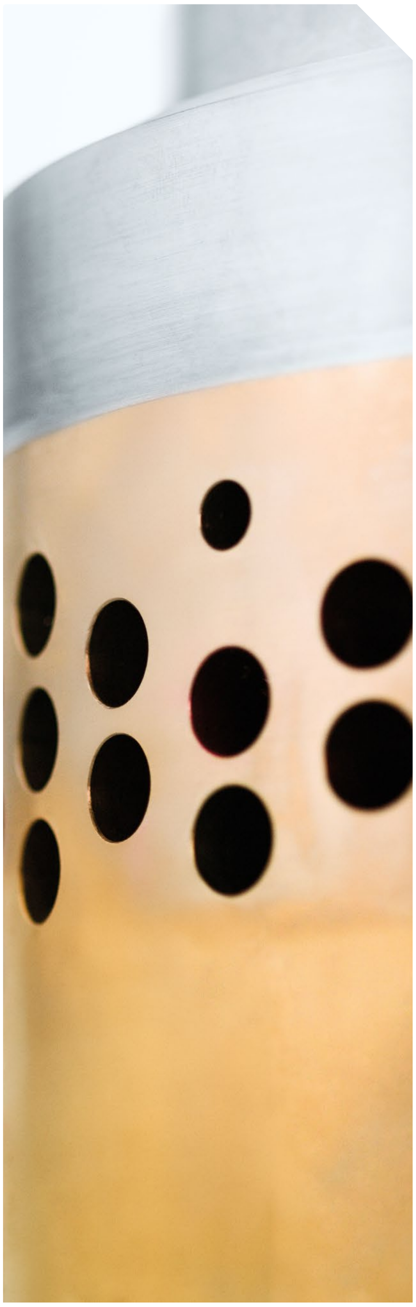
The Group will comply with both the letter and the spirit of relevant environmental regulations. As part of our ongoing Health and Wellbeing initiative, the Group has again made MIND its featured charity. The Group also continues to support local charities and employees who individually raise money or volunteer for charities.

Key areas of interest

- 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 evaluated as part of the management review process.

Promoting the success of the Group

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this, Section 172 requires a Director to have regard, amongst other matters, to the:



a) Likely consequences of any decisions in the long term.
b) Interests of the Company's employees.
c) Need to foster the Company's business relationships with suppliers, customers and others.
d) Impact of the Company's operations on the community and environment.
e) Desirability of the Company maintaining a reputation for high standards of business conduct.
f) Need to act fairly as between members of the Company.

In discharging our Section 172 duty we have regard to the factors set out in the section 'Our Stakeholders'. We also have regard to other factors which we consider relevant to the decision being made. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering our vision and values, together with our strategic priorities and having a process in place for decision-making, we do however, aim to make sure that our decisions are consistent and well considered.

During the year, the Directors have acted to promote the success of the Group for the benefit of shareholders, whilst having regard to the following matters:

MATTER	WHERE TO FIND OUT MORE (PAGE)
Likely long-term consequences	06, 09 to 11, 28 to 33 and 34 to 37
Interests of the Group's employees	06, 09 to 11, 28 to 33 and 34 to 37
Business relationships with suppliers and customers	06 to 07, 09 to 11, 28 to 33 and 34 to 37
Impact on the community and environment	07, 09 to 11, 28 to 33 and 34 to 37
Reputation for high standards of business conduct	06, 09 to 11, 28 to 33 and 34 to 37
Acting fairly between shareholders	06, 09 to 11, 28 to 33 and 34 to 37

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.

The Group is well placed to take advantage of market conditions as and when they improve and to realise the benefits of the investment made in people, customer relationships, new equipment and supporting processes. To find out more, please see the Business review on pages 14 to 17.

Our Strategy

In March 2019, we set out a vision for growth in three phases and were pleased with the steady progress being made in the first two phases. However, the Covid-19 pandemic significantly impacted the business environment, including working conditions, operational performance, end markets and the global economy. We have adapted and remain ready to further adjust our focus and resources to protect the business, progress our strategy and take advantage of future opportunities.

The Covid-19 pandemic and slower than expected improvement in operational performance have contributed to delayed progress in Phase 1 – Refocus, which we now expect to extend to the end of 2021, in line with the anticipated slow recovery of oil and gas market conditions and the impact of this on our PMC division. We expect Phase 2 – Deliver Organic Growth, to accelerate through opportunities for CSC in the fast-developing hydrogen energy market, driving the need for investment that was supported by the successful fundraising in December 2020.

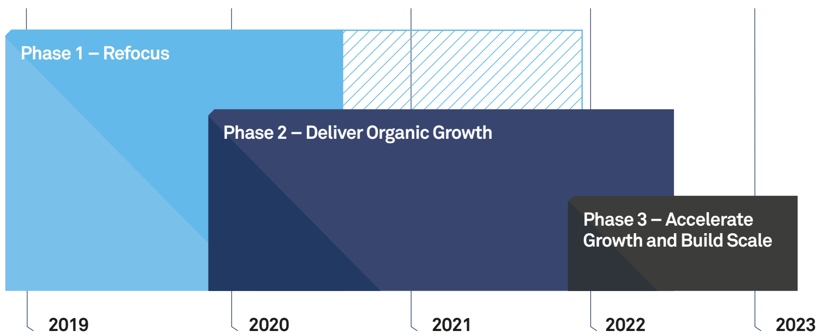
Key

- Completed
- In progress
- New addition

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.

CHANGES TO OUR STRATEGIC ROADMAP



Our strategic roadmap is now updated to reflect these changes.

Phase 1 – Refocus (originally to mid-2020, now extending to the end of 2021)

- Divestment of non-core divisions – completed in June 2019
- Recover profitability and cash generation, especially in oil and gas market-facing PMC – ongoing through 2021
- Complete foundations for new growth, people, structure, processes – ongoing through 2021
- Adjust strategic focus and plans to support growth in hydrogen energy and Integrity Management for CSC – ongoing following fundraising in December 2020. Plans to be completed by July 2021
- Secure funding for investment and strengthened balance sheet to provide resilience and financial resources to support growth – completed December 2020

Phase 2 – Deliver Organic Growth (from mid-2019) – hone the business model

- Grow revenue and margin from existing and new customers by investing in core capability
- Capture and safeguard value by developing strategic partnerships with customers and in the supply chain
- Grow revenue and margin from extended product/service offers and new regions
- Grow margins through continuous process improvements and efficiencies

Phase 3 – Accelerate Growth and Build Scale (from late-2021) – replicate the business model

- Growth from new sectors
- Growth from new regions
- Scale from acquisitions

To read more see page 10

STRATEGIC PROGRESS

Phase 1 – Refocus

Divestment of non-core divisions

- Sale of two divisions completed as planned in 2018 and 2019. Disposal of remaining Greenlane investment in 2020 with final disposal proceeds due in June 2021.
- Group now focused on its two core divisions, with more resources allocated to CSC and hydrogen-related growth.

Recover profitability and cash generation

- Covid-19 pandemic and tougher trading conditions combined with a CSC contract related deferral of revenue and profit resulted in reduction of Group revenue to £25.4 million and an adjusted operating loss of £2.4 million.
- CSC strengthens foundations for new growth with process improvement initiatives.
- Closure of loss-making PMC's Quadscot operation completed after onset of Covid-19 pandemic.
- PMC management restructured and cost-/cash-saving measures implemented.

Confirm strategic focus and growth plans

- Board strengthened with new Chairman and NEDs.
- Strategy Roadmap updated and strategic focus increased on hydrogen energy and Integrity Management.

Phase 2 – Deliver Organic Growth

Grow revenue and margin from existing and new customers by investing in core capability

- CSC continued good progress with major contracts for existing home/export customers in defence sector, reducing dependence on oil and gas.
- CSC Integrity Management, although impacted by travel restrictions after a strong Q1, delivered strong sales growth for fifth consecutive year at £2.3 million for the year.
- A substantial second contract won by CSC with EDF Energy for UK nuclear application – a new sector.
- New customer acquisitions continued in PMC – long term strategic supply agreements signed with major OEMs.

Grow revenue and margin from extended product scopes and emerging sectors

- Three more hydrogen refuelling station projects started for the hydrogen energy sector by CSC.
- Opportunities emerging for CSC Integrity Management at all stages of hydrogen cylinder life-cycle.

Grow margins through operational improvements and growth

- PMC implemented new production management systems, used data to drive better production scheduling and customer reporting leading to better delivery performance.
- PMC's 2019 investments in machines and production engineering translated into time/cost savings.

2019

2020

2021

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 will 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.

2022

2023

Key
Extension in phase

Identifying trends within our core markets

It is now clear that the oil and gas sector will need more time to recover from Covid-depressed oil prices, even though we are seeing some encouraging signs in returning customer orders and new customer interest.

Steady growth is predicted to continue for defence, nuclear and industrial sectors, with the emerging hydrogen energy market predicted to grow at a much faster pace over the next three to five years. Hydrogen energy is a key area of focus for our existing and future resources, as we build capacity and capability to meet customer needs, using the funds raised in December 2020. This is against the backdrop of a number of governments stimulating economic recovery by funding 'green' and hydrogen energy-related initiatives, including bringing forward climate change targets. Whilst progress to date has been encouraging, hydrogen energy is still a relatively unproven technology and, as with all immature market sectors, there inevitably remains uncertainty as to the timing and scale of growth in this market.

How we reacted to market conditions
Covid-19 was the main driver for a large drop in oil and gas activity and restrictions on travel for our staff. We took decisive action to safeguard our staff and customer service as well as matching resources to market needs. We are maintaining the current capability, scale and reach of our manufacturing activities for oil and gas and defence markets. We decided the timing was right to raise funds to realise further growth opportunities, especially in hydrogen energy, and to strengthen the balance sheet so we can take advantage of partnership opportunities as they arise. We are now well placed to take advantage of any improvement in market conditions and realise the benefits of the investment in people, new equipment and supporting processes.

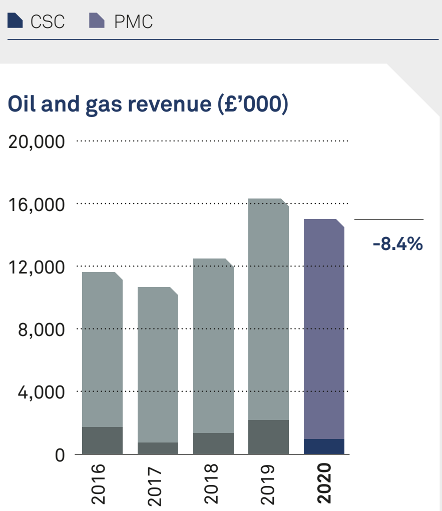
SECTOR	WHAT IS HAPPENING IN THE MARKET?
OIL AND GAS	The low oil price environment of recent years and pandemic-driven collapse saw major delays and cuts in oil exploration investment, resulting in fewer oil discoveries and reduced capex and opex spend. With an oil price now around $50, confidence to sanction project expenditure over the next two years is showing some very early signs of returning. However, our base case expectation is at least a further year of challenging trading conditions in the depressed oil and gas market. The sustained low oil price environment has advanced technical innovation in the oil service industry and reduced the cost of oil exploration and production. Oil service majors, OEMs and component manufacturers now collaborate to produce parts more efficiently, on a 'cost-out' basis, while often improving performance and quality.
DEFENCE	Current defence spending is driven by the need to replace obsolete warship classes, both in terms of surface and submarine fleets, alongside US pressure for NATO allies to increase defence spending. In the UK, the government has recently pledged an additional £16.5 billion in military spending over the next four years, representing the largest increase in real terms since the end of the Cold War.
INDUSTRIAL GASES	CSC provides both storage solutions and inspection, reconditioning and retest services. The opportunities for CSC will continue to come from the higher education and scientific research sectors, along with a continued penetration of the nuclear power generation market.
HYDROGEN ENERGY	Increased drive for lower emissions from many governments, including stimulus for a green economic recovery from Covid-19, means hydrogen storage needs are growing. This is especially true for refuelling station needs for vehicles, trains and ships where CSC already has product and services. This sector is at a very early stage in development, but has the potential to develop into a significant long-term growth opportunity.

WHAT THIS MEANS FOR US

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

The PMC businesses in the Group are leaders in their markets, supplying high integrity components for subsea and topside applications to global oil services companies. Pressure Technologies has embraced the shift to collaborative working with customers through long-term supply agreements and invested in sales and technical capabilities with measurable benefits for PMC.

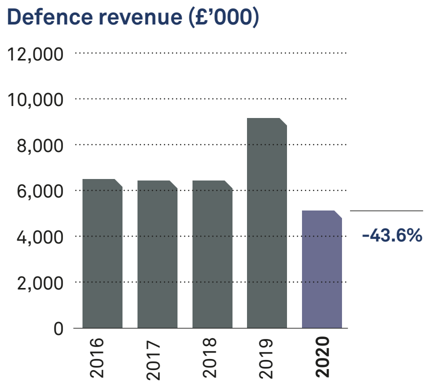
CSC will also benefit from an upturn in the oil and gas market, with demand for motion compensation systems on offshore oil platforms anticipated to recover in 2021. Growth of the Integrity Management services business in this market is expected to continue.



CSC has long-term contracts to supply bespoke products and services for key submarine build programmes and for surface ships 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 is stronger than ever, underpinned by the growing importance of Chesterfield Integrity Management (CSC IM).

CSC IM 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.

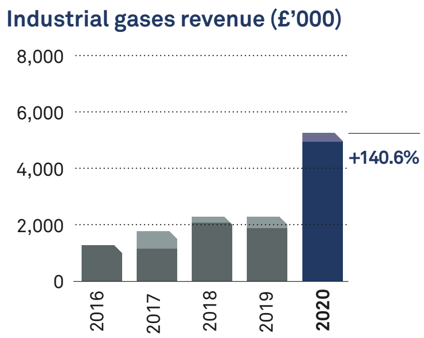
CSC IM's strategic focus is to support hydrogen growth by adding value to the product offering through risk assurance. Additionally, the intention is to apply the operating model that has been successful with the Royal Navy to foreign navies who are already supplied products by CSC through existing strategic partners.



This market is predominantly served by CSC but also by Martract, a business within our PMC division.

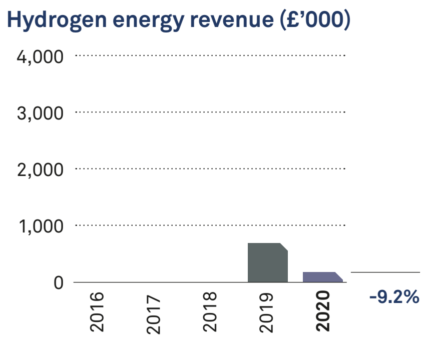
This market crosses multiple segments for CSC, including cryogenics and bulk gas transport and storage, scientific research facilities and universities.

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.



The emerging hydrogen energy supply chain generates demand for the types of products developed by CSC over many years. In the past year, two orders for large high-pressure ground storage cylinders were secured for projects in the UK and overseas.

Funds raised in December 2020 will be used to increase capability and capacity for both products and services for the hydrogen energy sector. CSC is now better positioned to secure sales growth and long-term supply and support agreements as this market expands further.



Establishing resilience and a foundation for future growth

Trading in the first few months of FY21 has continued in line with our expectations.

Chris Walters
Chief Executive

The important management and operational changes made since 2019 positioned us well to cope with the significant challenges faced over the past year. I am extremely proud of our teams and their response during unprecedented circumstances and encouraged by the further progress made with organisational culture, this being key to continuous improvement and the delivery of sustainable growth.

£ million revenue	2020	2019	2018	2017
Group revenue	25.4	28.3	21.2	18.8
Oil and gas	14.9	16.3	12.4	10.6
Defence	5.1	9.1	6.4	6.4
Industrial gases	5.2	2.2	2.4	1.8
Hydrogen energy	0.2	0.7	—	—
Group operating (loss) / profit[1]	(2.4)	2.2	1.0	1.6
Group loss before taxation	(20.0)	(0.5)	(1.7)	(1.4)

1 Before amortisation, impairments and other exceptional charges.

Whilst slower than expected turnaround of operational performance and depressed oil and gas markets have impacted profitability, the strategic progress made to date across the Group is driving increased diversification in the customer base, positioning the business for sustainable long-term growth and ensuring that we are well placed to capitalise on exciting opportunities in some of our key markets.

£25.4M
Group revenue

Performance

Overall Group revenue for the year was £25.4 million (2019: £28.3 million), down 10% and reflecting challenging trading conditions, Covid-19 disruption and the deferral of revenue and profit for a major defence contract into FY21.

An adjusted operating loss of £2.4 million (2019: £2.2 million operating profit) was driven by lower than expected gross margins in both divisions, the deferral of revenue relating to a major defence contract into FY21 in CSC and poor operational performance in PMC. The Group made a loss before taxation of £20.0 million (2019: £0.5 million) which included amortisation, impairment and exceptional costs totalling £17.6 million.

CHESTERFIELD SPECIAL CYLINDERS (CSC)

£ million revenue	2020	2019	2018	2017
Divisional revenue	11.2	13.9	9.9	8.4
Oil and gas	1.0	2.2	1.4	0.8
Defence	5.1	9.1	6.4	6.4
Industrial gases	4.9	1.9	2.1	1.2
Hydrogen energy	0.2	0.7	—	—
Gross margin	26%	36%	35%	41%
Operating (loss) / profit[1]	(0.1)	2.1	1.1	1.1
(Loss)/profit before taxation	(1.0)	2.1	1.0	1.0
Return on revenue	15%	11%	13%	11%

1 Before amortisation, impairments and other exceptional charges.

Divisional revenue for the year was down 19% to £11.2 million (2019: £13.9 million), predominantly due to the phasing of a major defence contract into FY21 which drove lower overall gross margin performance. Overall divisional gross margin decreased to 26% (2019: 36%), resulting in an operating loss of £0.1 million (2019: £2.1 million operating profit) and a return on revenue of 0% (2019: 15%).

Total defence market revenue decreased by 44% to £5.1 million representing 46% of divisional sales. Revenue for the supply of ultra-large cylinders to UK defence contracts reduced to £3.5 million, down by 15% (2019: £4.1 million), with the first deliveries to the UK Ministry of Defence's Dreadnought class submarine programme made during this period for long-standing customer BAE Systems. A major order covering the long lead time raw material milestone for the second Dreadnought boat in the series was secured in June 2020, but the revenue and profit for this order were deferred from the fourth quarter of FY20 into the first quarter of FY21.

Revenue for export naval contracts decreased by 50% to £1.6 million (2019: £3.2 million). Revenue includes bespoke, safety critical systems supplied to Naval Group for French and Brazilian naval submarine programmes.

New contracts to supply highly specialised cylinders for early warning radar systems were secured with Thales and the UK Ministry of Defence for delivery in FY21.

Despite several contracts secured in late 2019, demand for oil and gas related projects has deteriorated sharply due to depressed oil prices and reduced capital spend in the sector, with several ultra-large cylinder prospects being deferred to late 2021 and beyond. Total oil and gas market revenue decreased by 55% to £1.0 million (2019: £2.2 million), representing 9% of divisional sales and reflecting the progress CSC continues to make in reducing its historical dependence on the oil and gas sector, with the diversification of end markets. Delivery was successfully completed for the semi-submersible drilling unit projects in Singapore for new customer MH Wirth.

Industrial gases market revenue increased significantly to £4.9 million (2019: £1.9 million), representing 44% of the divisional revenue, with the successful completion of the first contract with EDF Energy for the supply of high-pressure nitrogen storage solutions to nuclear power stations in the UK, including Heysham, Torness and Hartlepool sites.

As previously announced, a second contract in excess of £3 million was awarded by EDF Energy in September 2020 to supply several other nuclear power stations in the UK with a series of nitrogen storage packages for delivery through to mid-2021. This second order demonstrates the strength of our relationship with EDF Energy and the expertise of CSC in producing bespoke seismically qualified modular designs for these safety-critical projects. In May 2020, CSC was also pleased to be awarded a £0.6 million revenue contract by new customer, Parker, to provide ultra-large cylinders for a major wastewater treatment project in Abu Dhabi. This significant contract represents a new market for CSC's ultra-large cylinders and through-life support services.

Opportunities remain strong in the fast-developing hydrogen energy market, with CSC completing three contracts for transport refuelling high-pressure storage for new customers including ITM Power, Haskel Hydrogen Systems and McPhy Energy, delivering revenues of £0.2 million. Whilst this represented just 1% of divisional sales in the year, it demonstrated the design, engineering and through-life support capabilities that uniquely position CSC with major players in this market. As further testament to this, CSC signed a five-year framework agreement with Shell Hydrogen in the first half of the year, becoming the approved supplier of Type 1 steel cylinders to Shell-branded hydrogen refuelling stations across Europe.

£11.2M
Divisional revenue

Despite Covid-19 travel restrictions from March onwards, Integrity Management services delivered a fifth consecutive year of strong growth, with total revenue up a record 93% to £2.3 million (2019: £1.2 million). Notwithstanding the deferral of several UK deployments, revenue from in-situ inspection and recertification projects for UK submarine and surface vessel fleets primarily drove this growth, more than doubling to £1.4 million. This reflected support for critical infrastructure projects during the Covid-19 outbreak, with successful revalidation of high-pressure systems onboard aircraft carriers HMS Queen Elizabeth and HMS Prince of Wales. Overseas non-naval revenues declined by 50% to £0.1 million and despite new contract wins for in-situ revalidation projects on offshore production units and diving support vessels in Azerbaijan and Dubai, Covid-19 enforced travel restrictions caused disruption and delays, with the deferral of several deployments into 2021.

Investment plans for the division were delivered during the year, with a second advanced machining centre becoming operational in July, delivering substantial improvements to efficiency and quality performance. The delivery and commissioning of an advanced robotic ultrasonic test facility was delayed due to Covid-19 restrictions, but installation commenced in November and the system will become fully operational early in FY21.

PRECISION MACHINED COMPONENTS (PMC)

£ million revenue	2020	2019	2018	2017
Divisional revenue	**14.2**	14.4	11.2	10.4
Oil and gas	**13.9**	14.0	11.0	9.8
Industrial gases	**0.3**	0.4	0.2	0.6
Gross margin	**17%**	29%	33%	35%
Operating (loss) / profit[1]	**(0.7)**	1.9	1.5	1.8
(Loss)/profit before taxation	**(4.3)**	(0.3)	(0.3)	0.1
Return on revenue	**(5)%**	13%	13%	18%

1 Before amortisation, impairments and other exceptional charges.

Although divisional revenue for the year was broadly unchanged on the prior year at £14.2 million (2019: £14.4 million), PMC reported an operating loss of £0.7 million (2019: £1.9 million operating profit), driven by lower than expected gross margins, as poor operational performance in the first half of the year failed to improve in the second half. Operating profit was further impacted by higher indirect overhead and depreciation costs resulting from the growth investment made since 2019, whilst restructuring and site consolidation steps taken in the second half had only a minimal impact on the full year costs.

Overall divisional gross margin reduced to 17% (2019: 29%), impacted by delayed output of new large complex components and the late commissioning of new machining centres in the first half of the year and by the onboarding of new customers, Covid-19 disruption across the supply chain and lower utilisation levels in the second half. Return on revenue was (5)% compared to 13% last year.

The depressed oil price has resulted in continued disruption and uncertainty for our oil and gas OEM customers and the deferral of project spend. Consequently, order intake in the second half fell sharply and the divisional order book at the start of FY21 was less than half the pre-pandemic value six months earlier.

Performance and market outlook also resulted in an impairment review of the goodwill and other intangible assets of the PMC division as they relate to Al-Met, Quadscot, Roota and Martract subsidiaries, acquired by the Group between 2010 and 2016. Lower than previously considered growth rates and higher risk-factored discount rates applied to future cash flows have resulted in a non-cash exceptional impairment to goodwill and other intangible assets of £13.9 million.

Significantly higher indirect costs and depreciation following two years of growth investment were not fully offset by the proactive steps taken early in the second half of the year to limit the impact of trading conditions on the division. These actions included closure of the persistently loss-making Quadscot operation, management restructuring and the implementation of other cost saving and cash preservation measures, whilst seeking to protect core capability.

£14.2M
Divisional revenue

Whilst the consolidation of the Quadscot operation and order book into Roota through the peak of Covid-19 disruption took longer than expected and adversely impacted divisional margins and customer delivery schedules, this transition has now resulted in a lower cost base and increased utilisation of capacity across the remaining sites.

Further progress was made during the year with diversifying the customer base and extending our range of precision machined components for specialised oil and gas applications. This includes long-term strategic supply agreements being signed or under negotiation with key OEM customers, demonstrating their confidence in PMC's products and service levels as they seek to consolidate their approved supplier lists.

A stronger sales team and maturing sales processes have underpinned increased sales effectiveness and better customer relationship management. The investment in new production management systems and the use of data to drive production scheduling and customer reporting are starting to deliver improvements, most notably to on-time delivery performance. The investment in production engineering capability and new advanced machining centres have also helped deliver significant time and cost savings in the production of familiar and new component designs, which will contribute to improved margins and competitiveness through shorter lead times.

Reliance on the division's top three customers by revenue has also reduced from 78% to 69%, demonstrating further progress in reducing customer concentrations. Diversification of product scope also continues, with a far broader range of components now being delivered to established and newly acquired customers.

With the current low oil price impacting demand for drilling and exploration projects, we have increased our focus on decommissioning opportunities and accelerated our evaluation of new geographies and adjacent markets, such as renewable energy, nuclear power and defence, where we have an established customer base with CSC.

The operating result in the period was disappointing, however we continue to make strategic progress across this division as changes made over the past year deliver operational improvements. The divisional leadership structure and new management appointments are driving important cultural change that is more focused on performance and customer service.

Outlook

Chesterfield Special Cylinders

Significant expansion and diversification of CSC's customer base was achieved this year especially into the hydrogen energy transport refuelling market and nuclear power generation market. Strategic partnerships across the supply chain have enabled significant reduction in lead times and the ongoing deepening of existing customer relationships is a clear testament to the strategic progress made by the division in a difficult operating and trading environment.

Trading in the first few months of FY21 has continued in line with our expectations. The order book for the year ahead remains strong, with higher-margin projects, including the deferred BAE Systems contract, weighted to the first half of the year.

CSC will continue to drive the operational improvements that underpin margin growth from established defence and industrial contracts, while strengthening capability and readiness for further growth in Integrity Management services. Periodic inspection regimes will require product revalidations as current travel restrictions are lifted and the Group expects to see continued growth in Integrity Management services in the defence, nuclear power generation and hydrogen energy sectors, where risk management and asset availability are paramount.

Hydrogen energy storage remains an area of strategic focus and significant future growth potential for the Group. The progress already made in this rapidly developing market is expected to continue as governments increasingly acknowledge the role of hydrogen in the overall energy mix, with its contribution to meeting net zero carbon targets in transportation and in the decarbonising industry.

In addition to the transport refuelling station projects successfully completed or currently in production, CSC has a strong pipeline of opportunities with new and existing partners, including the five-year framework agreement with Shell Hydrogen. These opportunities are supported by the ongoing development of products and services to reduce through-life cost and risk for the operators of static and mobile hydrogen storage. Whilst progress to date has been encouraging, hydrogen energy is still a developing technology and, as with all immature market sectors, there inevitably remains uncertainty as to the timing and scale of growth.

In December 2020, we were pleased to secure contracts for five further hydrogen refuelling stations with existing customer Haskel, new customer Framatome and a major new US customer for their European projects.

Precision Machined Components

Our priority remains to stabilise and protect the consolidated operations, complete operational improvements and maintain service levels for our growing base of OEM customers, as we seek to conserve cash and recover profitability. We anticipate at least a further year of challenging trading conditions in a depressed oil and gas market and will continue to appraise opportunities to diversify our specialist engineering capability in other sectors.

Fundraising

On 18 December 2020 the Group was pleased to successfully complete a £7.5 million (before expenses) fundraise from new and existing shareholders to support exciting growth opportunities for CSC in the hydrogen energy market and in the Integrity Management services business.

The investment provides us with the resources to capitalise on the significant growth prospects in the hydrogen energy market and to accelerate growth in our Integrity Management services business. The stronger balance sheet will also provide resilience through the difficult oil and gas market trading conditions, demonstrate strength when developing partnerships and negotiating major contracts, and provide flexibility to take advantage of emerging opportunities.

Chris Walters
Chief Executive

13 January 2021

Safeguarding the health and wellbeing of our teams

Our action plan has been to maintain safety and business security throughout the period by:

- **Managing** risk.
- **Supporting** stakeholders.
- **Operating** responsibly.
- **Maintaining** our vision.

As a supplier to customers who support UK Critical National Infrastructure and Strategic Defence Contracts, we have worked hard to ensure business continuity whilst maintaining our primary focus on safeguarding the health and wellbeing of our teams.

Investments made in our central group functions including Human Resources and IT infrastructure over the course of the previous year have underpinned the support we have been able to offer our teams through this difficult period, reinforced by regular and open communications with colleagues working both on site and at home.

Risks and Uncertainties
To read more see page 28

OUR PRIORITIES

1. Business as usual with caution and all sites operational

Notwithstanding the many challenges faced on account of the pandemic, the businesses worked effectively to ensure business continuity given our status as a supplier to customers who support UK Critical National Infrastructure and Strategic Defence Contracts.

Despite a certain level of operational disruption during the lockdown period in the UK, staff absence levels stayed relatively low, enabling us to keep all sites open and operational, with staff working on the basis of 'business as usual, with caution'.

We continue to support our customers, maintaining close communication and remaining focused on delivering orders safely and to the best of our abilities.

The oil and gas markets remain depressed, causing ongoing uncertainty for our oil and gas customers in particular, some of whom have deferred project spend, causing pricing pressure throughout the supply chain. We remain focused on the diversification of our customer portfolio to mitigate this, in line with our growth strategy. Integrity Management services continues to be impacted by the travel restrictions, especially with overseas non-naval contracts, although some UK based naval contracts remained on track due to critical defence and infrastructure requirements.

2. Keeping employees safe whilst supporting UK Critical National Infrastructure

At the onset of the Covid-19 pandemic in March, we undertook swift, decisive actions to protect the health, safety and wellbeing of our teams.

We wrote and implemented specific precautions, policies and guidelines which allowed us to adapt working practices to meet UK government guidelines on workforce protection, enabling social distancing across all our facilities, encouraging working from home wherever roles permit, and safeguarding employees who met vulnerable and extremely vulnerable category criteria.

During this difficult period, we successfully maintained regular, open communications with colleagues working both on site and at home, significantly enhanced due to the investments made in the last year in our central group functions including Human Resources and IT infrastructure.

3. Protecting our financial strength

To protect our financial strength, we took a number of prudent measures to stabilise operations, manage cost and conserve cash and core capability.

We enjoy a strong and supportive relationship with our bank and post the financial year end were pleased to secure amendments and an extension to our facility to 30 November 2022 with updated financial covenant targets. In December 2020, we also successfully completed a fundraising from new and existing shareholders to raise £7.5 million (before expenses).

We continue to monitor the Covid-19 situation closely and will adapt as necessary in order to continue servicing our customers whilst protecting our people.

Chris Walters
Chief Executive

13 January 2021

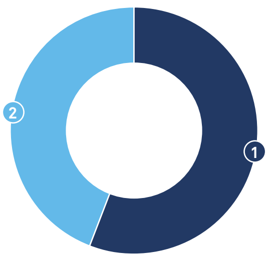
Establishing resilience and a foundation for future growth

The investments made in the previous year in equipment, infrastructure and technology to add capacity and capability have been instrumental in supporting business continuity across our operations during the Covid-19 crisis.

Chris Walters
Chief Executive

Our financial priority this year has been to minimise the impact of Covid-19 on the Group with proactive measures to reduce costs and to conserve cash while continuing to invest in making further strategic progress against our focus areas for growth.

Revenue split



Total: £25.4m

1. Precision Machined Components: £14.2m
2. Chesterfield Special Cylinders: £11.2m

Business Review
To read more see page 14

Risks and Uncertainties
To read more see page 28

Tougher trading conditions and Covid-19 disruption, which particularly impacted the Precision Machined Components division (PMC) as well as the deferral of a defence contract with Chesterfield Special Cylinders (CSC) into the year ended 2 October 2021 resulted in a reduction in Group revenue for the year to £25.4 million (2019: £28.3 million) and an adjusted operating loss for the year of £2.4 million (2019: £2.2 million operating profit). The Group made a loss before taxation of £20.0 million (2019: £0.5 million), which included amortisation, impairment and other exceptional costs of £17.6 million.

However, the investments made in the previous year in equipment, infrastructure and technology to add capacity and capability have been instrumental in supporting business continuity across our operations during the Covid-19 crisis.

CSC revenue decreased by 19% to £11.2 million (2019: £13.9 million) and the division made an adjusted operating loss of £0.1 million (2019: £2.1 million operating profit). PMC revenue decreased by 1% to £14.2 million (2019: £14.4 million) and the division made an adjusted operating loss of £0.7 million (2019: £1.9 million operating profit).

The current trading performance and medium-term outlook of our OEM customers regarding the depressed oil and gas market resulted in an impairment review of the goodwill and other intangible assets of the PMC division as they relate to Al-Met, Quadscot, Roota and Martract subsidiaries, acquired by the Group between 2010 and 2016. Lower than previously considered growth rates and higher risk-factored discount rates, than assumed at the half year, applied to future cash flows have resulted in a non-cash exceptional impairment to goodwill and other intangible assets of £13.9 million.

In addition, in the Company only accounts of Pressure Technologies plc a write down of £26.5 million was made with respect to the valuation of its investment in PT Precision Machined Components Limited, the holding company which owns the subsidiary companies that comprise the operations of the PMC division.

On 3 October 2020, total net debt (which now includes right- of-use asset leases following the adoption of IFRS 16) reduced to £7.4 million (28 September 2019: £11.4 million). The Group's £12.0 million RCF was drawn at £6.8 million (28 September 2019: £10.8 million). Cash and cash equivalents increased to £3.4 million (28 September 2019: £2.2 million) taking net RCF debt down to £3.4 million (28 September 2019: £8.6 million). Lease liabilities on 3 October 2020 increased to £4.1 million (28 September 2019: £2.8 million), mainly as a result of right-of-use asset liabilities brought in under the adoption of IFRS 16.

The significant reduction in total net debt was driven principally by the receipt in February 2020 of a £2.1 million repayment of the Greenlane Renewables Inc. Promissory Note with associated interest and the receipt in June and July 2020 of £3.1 million from the sale of the shareholding in Greenlane Renewables Inc. Receipt of the outstanding Promissory Note balance of £3.1 million is expected in June 2021.

The Group's existing RCF of £12 million at the year end was put in place in December 2019 for two years through to December 2021. In December 2020, the Group extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term.

In addition, the Group undertook a fundraising on 18 December 2020 through the issue of 12,471,998 new ordinary shares which raised cash proceeds, net of expenses, of approximately £7.0 million.

Trading results

CSC

Revenue decreased by 19% on the prior year primarily due to the phasing of major defence contracts, which was further compounded by the deferral of revenue on a significant defence contract from Q4 FY20 into Q1 FY21.

As a result, gross profit has decreased to £2.9 million (2019: £5.0 million), with a 10.0ppt reduction in gross margin.

An adjusted operating loss before amortisation, impairments and other exceptional costs of £0.1 million resulted in FY20 (2019: £2.1 million adjusted operating profit) and there has been a 15.1ppt decrease in the return on revenue in the year to 0.0% (2019: 15.1%).

FINANCIAL HIGHLIGHTS

Group revenue
£25.4M
(2019: £28.3m)

Group adjusted operating loss*
£2.4M
(2019: £2.2m operating profit)

Return on revenue**
(9.4)%
down 17.3ppt (2019: 7.9%)

Net operating cash inflow***
£1.7M
(2019: £0.6m)

Group loss before taxation
£20.0M
(2019: £0.5m operating loss)

Closing total net debt****
£7.4M
(2019: £11.4m)

* Operating loss excluding amortisation, impairments and other exceptional costs.

** Adjusted operating loss divided by revenue.

*** Before cash outflow for exceptional costs and excluding cash flows associated with discontinued operations.

**** Total net debt includes gross borrowings, asset finance leases, right-of-use asset leases, less cash and cash equivalents.

Contracts that were categorised as 'recognised over time' and still in progress at the end of the year had a value of £6.5 million of future revenue on these contracts relating to as yet unfulfilled performance obligations which are due for delivery in 2021.

PMC

PMC revenue has decreased just over 1% primarily due to the deterioration in oil and gas markets as a result of the Covid-19 pandemic. The division also saw lower than expected gross margins as poor operational performance in the first half of the year failed to improve in the second half of the year.

Gross profit decreased by 41.4% and there was a 11.8ppt reduction in gross margin, compared to 2019 at 29.1%, primarily due to the sharply reduced order intake in the second half of the year as our oil and gas OEM customers deferred project spend against the backdrop of a depressed oil price causing continued uncertainty and disruption in the market. Margins were also impacted by the longer than expected consolidation process of the Quadscot operation and order book into our Roota facility, although we have now made good progress in lowering the cost base and increasing capacity utilisation across other sites.

The division reported an adjusted operating loss before amortisation, impairments and other exceptional costs of £0.7 million which represents a return on revenue of -4.6%, a 17.6ppt reduction from 2019.

Central costs

Unallocated central costs (before other exceptional charges) were £1.7 million (2019: £1.7 million). The profit on the sale of the investment in PT US Inc. and its 40% holding in Kelley GTM and its assets totalling £0.3 million has been treated as an exceptional finance cost and is shown in Note 2 to these financial statements.

In respect of the Group's various share option plans there was a net cost in the year of £0.1 million (2019: net cost of £0.1 million).

Asset impairments and amortisation

The Group tests annually for impairment, or more frequently if there are indicators that goodwill, other intangibles and tangible fixed assets might be impaired. The occurrence of the Covid-19 pandemic is a global issue affecting every single business sector and every country to some degree. It has already had a significant impact on the global economy, and its impacts are expected to continue for the foreseeable future. Consequently, the impact of the pandemic is considered to be an indicator that the carrying value of our intangible and tangible assets in one of the Group's cash-generating units (CGU) – the Precision Machined Components (PMC) division – is impaired. In light of the pandemic and the very difficult trading conditions and outlook for the oil and gas market, PMC's key end-market, the Group has considered a range of economic conditions for the sectors that may exist over the next three years.

These economic conditions, together with reasonable and supportable assumptions, have been used to estimate the future cash inflows and outflows for the PMC CGU over the next three years.

The assumptions underlying these forecasts are detailed in Note 12 to these financial statements. The review concluded that an impairment was required of £13.9 million, comprising £9.5 million of goodwill, £2.1 million of intellectual property, £2.2 million of non-contractual customer relationships and £0.1 million of software items, which has therefore been included, as a non-cash exceptional item, in these financial statements. Amortisation costs were £2.0 million (2019: £1.8 million) and have also been treated as a non-cash exceptional item.

Disposal of investments and carrying value of other financial assets

Greenlane Renewables Inc:

£3.1M
Cash proceeds from sale of common shares

On 3 July 2020, the Group entered into a Framework Agreement with Greenlane Renewables Inc. (Greenlane), Creation Partners LLP (Creation) and Brad Douville (the "Framework Agreement") and immediately sold a total of 7,663,920 common shares and the underlying common shares of 5,094,765 share purchase warrants in Greenlane Renewables Inc. (the "PT Securities"). The PT Securities had been issued to PT in connection with the disposal in the prior year of its wholly owned subsidiary PT Biogas Holdings Limited. Together with the sale of 2,525,610 common shares in Greenlane on 10 June 2020, the Group realised cash proceeds of £3.1 million from these sales.

As a result of the Framework Agreement, Greenlane's outstanding principal on the Promissory Note owed to the Group (the "Promissory Note") was reduced to approximately £3.1 million and the maturity date was advanced from 3 June 2023 to 30 June 2021.

The profit on sale of the shareholding of £1.9 million and the consequent modification in the value of the Promissory Note of £1.0 million have been treated as exceptional finance costs and are shown in Note 2 to these financial statements.

The Group's only remaining interest in Greenlane Renewables Inc is the Promissory Note, details of which can be found in Note 18 to these financial statements.

PT US Inc:

At the beginning of the year, the Group indirectly held a 40% investment in Kelley GTM, LLC, through its 100% subsidiary PT US Inc. The principal activity of Kelley GTM, LLC is the manufacture of high-pressure vessels for gas transport solutions. Kelley GTM, LLC is based in Amarillo, Texas. The investment in Kelley GTM, LLC was fully written down in the period ended 3 October 2015.

In May 2020, the Group sold the entire share capital of PT US Inc for a consideration of US$50,000 along with five GTM transport modules for US$250,000. We therefore no longer have any interests in Kelley GTM, LLC. The total profit on sale of this associate has been treated as exceptional finance costs and is shown in Note 2 to these financial statements.

Other exceptional items

Reorganisation and redundancy costs in the year were £0.4 million (2019: £0.5 million), which predominantly relate to termination payments made on the resignation of the previous CFO and divisional PMC management reorganisation costs.

An inventory write off in PMC relating to obsolete stock items totalled £0.5 million and other head office costs totalled £0.4 million in the year.

The Group closed its Quadscot operation in June 2020 after five consecutive years of loss making and closure costs, both incurred and provided for, totalled £0.7 million in the year.

On 26 November 2019, the Group announced that its subsidiary Chesterfield Special Cylinders (CSC) had been found guilty of a charge brought by the Health and Safety Executive (HSE) pursuant to Section 2 of the Health and Safety at Work Act 1974 following a fatal accident in June 2015. On 13 January 2020, the Group was sentenced to a fine of £0.7 million along with prosecution costs of £0.2 million. The fine is due to be paid over five six-monthly instalments of £140,000 commencing on 31 January 2021.

Taxation

The tax credit for the year was £1.1 million (2019: £0.1 million).

The current year tax charge has benefitted from a £0.1 million overprovision in respect of the prior year. Deferred tax reflects a £1.0 million credit relating to the charge in respect of the impairment of intangible assets.

R&D tax benefits in respect of 2020 are expected to be around £1.1 million (2019: £1.2 million).

Corporation tax refunded in the year totalled £0.2 million (2019: £0.2 million), which relates to the UK. Taxes relating to overseas territories are 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 Canadian 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.

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

As at 3 October 2020 there were no forward contracts in place (2019: none).

Financing, cash flow and leverage

£6.8M

RCF debt

Operating cash outflow before movements in working capital was £3.3 million (2019: £2.6 million inflow). After a net working capital inflow of £5.0 million (2019: £2.0 million outflow), cash generated from operations was £1.7 million (2019: £0.6 million). Key movements within working capital include the timing flows of major CSC contracts including received milestone payments with respect to the Dreadnought Boatset 2 Programme materials, whereby supplier payments moved to after the year end. In addition, the inflow from net working capital includes around £1.0 million from deferred payments of PAYE and VAT to HMRC, due to Covid-19 relief, across the Group that have been moved into 2021 to be paid on an agreed instalment timescale.

In light of the pandemic and the very difficult trading conditions for the oil and gas market, PMC's key end-market, the Group has considered a range of economic conditions for the sectors that may exist over the next three years.

Cash outflow in the year in respect of other exceptional costs (see Note 5) was £1.5 million (2019: £1.6 million). This excludes the inventory write down and asset impairments (which were non cash flow exceptional items) and the HSE fine, none of which was paid in the year but deferred to future periods for payment.

During the year the Group received £5.2 million exceptional cash inflow relating to its interests in Greenlane Renewables Inc. following the sale for £3.1 million of its entire holding of common shares and underlying share purchase warrants and a repayment of £2.1 million of the Promissory Note.

Total net debt, including right-of-use asset leases following the adoption of IFRS 16, was £7.4 million (2019: £11.4 million), the decrease driven primarily by exceptional receipts of £5.2 million from the Group's interests in Greenlane Renewables Inc. and other working capital inflows. This enabled the repayment of £4.0 million of the Group's £12 million revolving credit facility (RCF) reducing drawn debt to £6.8 million at the year end (2019: £10.8 million).

The decrease in adjusted EBITDA more than offset the decrease in net debt which means the net debt to adjusted EBITDA leverage ratio included as a covenant in the RCF facility increased to 3.8:1 at 3 October 2020 (2019: 1.8:1). The Group's existing RCF at the year end was put in place in December 2019 for two years through to December 2021. In December 2020 the Group extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term.

The key financial covenant in the amended RCF remains the leverage covenant, which is tested quarterly, and has a maximum permitted net debt to adjusted EBITDA ratio of 5.5:1 for the two quarterly test dates of December 2020 and March 2021, a ratio of 3.5:1 in June 2021 reducing to a maximum of 3:1 by September 2021 and for the remainder of the term. Following the fundraising in December 2020 (see Note 34), it is expected that these covenants may be subject to amendment following discussions with the bank.

(Loss)/earnings per share and dividends

Adjusted loss per share was 6.4 pence (2019: 7.8 pence adjusted earnings per share). Basic loss per share was 101.5 pence (2019: 2.1 pence).

No dividends were paid in the year (2019: nil) and no dividends have been declared in respect of the year ended 3 October 2020 (2019: nil). Distributable reserves in the parent company decreased as a result of the write down of the investment in PT PMC Limited and as at the year end are negative £20.6 million (2019: £6.8 million positive reserve).

Pressure Technologies plc, the Company, has £26.2 million of share premium as at year end. On 17 December 2020, the Company received shareholder approval to convert the share premium, under a capital reduction, into a distributable reserve. This process requires Court Approval. An application to the Courts has been made but the timing of the process is currently uncertain.

Statement of financial position

Goodwill and intangible assets (at net book value) decreased by £15.8 million to £0.3 million (2019: £16.1 million) principally as a result of the £13.9 million impairment of the PMC CGU. Amortisation in the year was £2.0 million (2019: £1.8 million).

The consolidation of the Quadscot operation and order book into the Roota Engineering facility took place in June 2020. The property at Quadscot is owned and was marketed for sale with immediate effect. As at 3 October 2020 the Group was expecting to sell all three conjoined units, either separately or as a whole, within the next financial year and therefore in the statement of financial position is showing the market value of the properties of £0.6 million as an "Asset held for sale" under current assets.

Net current assets (being current assets less current liabilities), excluding RCF borrowings, decreased to £8.5 million (2019: £9.1 million). Non-current liabilities of £10.9 million have increased by £7.1 million, primarily as a result of £6.8 million of RCF borrowings. In the prior year the RCF borrowings were classified as current liabilities. However, following the recent renegotiation of the RCF which now extends to 30 November 2022, they are classified as non-current liabilities as at 3 October 2020.

Net assets decreased by 59% to £13.3 million (2019: £32.1 million) and net asset value per share decreased to 72 pence (2019: 176 pence).

Chris Walters
Chief Executive

13 January 2021

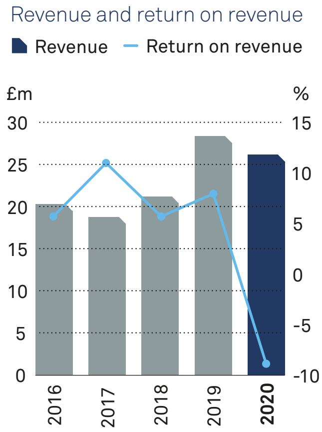
How we measure our success

Measured performance

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

FINANCIAL PERFORMANCE

Growth and return £m

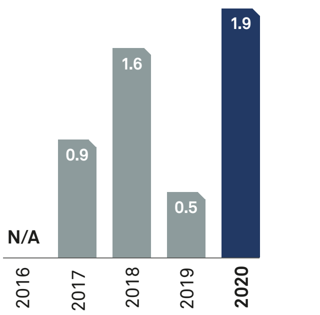


Growth is measured in terms of sales revenue.

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, although this was very negatively impacted by the Covid-19 pandemic during the year.

Cash conversion

1.9x

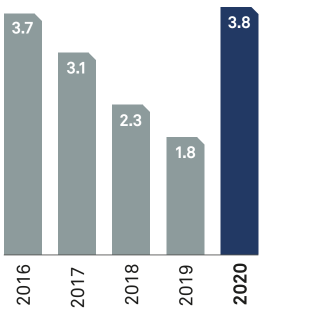


The cash conversion ratio measures the proportion of adjusted operating profit/(loss) converted into cash in the period. This is calculated as cash flows from operating activities (before exceptional costs) divided by adjusted operating profit/(loss).

The minimum target cash conversion ratio is 1.

Net debt ratio

3.8x

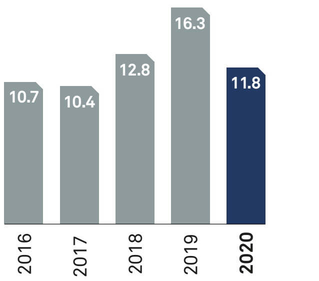


The measured net debt ratio is specific to the Group's RCF facility. It is calculated as net debt attributable to the lender, being total net debt less right-of-use asset leases, divided by adjusted EBITDA.

The targeted ratio is less than 3:1.

Order intake – PMC £m

11.8



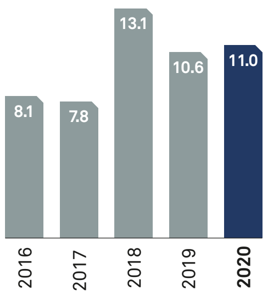
Twelve-month order intake is measured as an indication of future workload, trends in capacity requirements and progress with strategic plans for customer, product, market and regional targets in each division.

SHAREHOLDERS

CORPORATE SOCIAL RESPONSIBILITY

Order intake – CSC £m

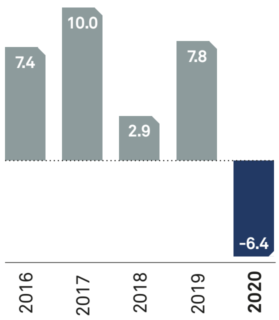
11.0



Twelve-month order intake is measured as an indication of future workload, trends in capacity requirements and progress with strategic plans for customer, product, market and regional targets in each division.

Adjusted earnings per share

(6.4)p

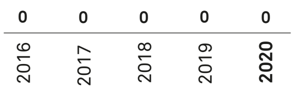


Adjusted earnings per share is used as a measure of shareholder return. Details of the calculation of adjusted EPS can be found in Note 10 of the Notes to the consolidated financial statements.

Health and safety

0

incidents



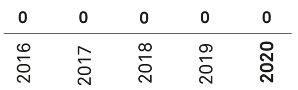
Safety performance is measured against reportable accidents in accordance with the Specified Injuries to Workers as set out in RIDDOR 2013 guidelines. The Group target is zero.

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

Environment

0

incidents



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 incidents over the last five years.

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

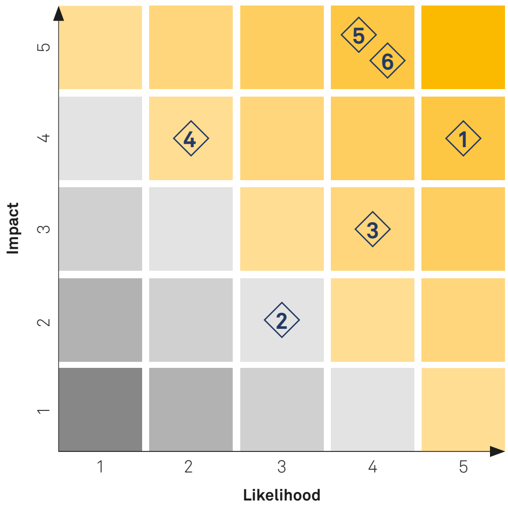
The principal risks identified by management and any changes to those risks are detailed below.

Direction of change

Increased Risk | No change | Decreased Risk | **NEW** New Risk

Risk management process

Risk heat map – impact and likelihood



1. Global economic conditions and market volatility: **20** (2019: 20)
2. Government policy, regulation, legislation and compliance: **6** (2019: 6)
3. Market conditions and commercial relationships: **12** (2019: 12)
4. Funding and liquidity: **8** (2019: 25)
5. Availability and use of key resources: **20** (2019: 25)
6. Technology and innovation: **20** (2019: 16)

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
1. Global economic conditions and market volatility		
Covid-19 There remains significant uncertainty and concern as to the duration and impact of the Covid-19 crisis going forward. As a supplier to customers who support UK Critical National Infrastructure and Strategic Defence Contracts, to date, we have been able to keep all our sites open with only minimal operational disruption and capacity issues at the beginning of the pandemic. The defence, industrial gases and hydrogen energy markets – the key markets for our CSC division – have been relatively unaffected by the pandemic, other than for our Integrity Management business which has been impacted by the domestic and international travel restrictions. However, the pandemic has had a very significant negative impact on the oil and gas sector, which is the primary market for the PMC division. As a result order intake in this division has been, and continues to be, significantly depressed. At this point in time, it is unclear as to how quickly or otherwise the oil and gas sector will recover when the outbreak is contained, whether through the deployment of an effective vaccine or otherwise, and restrictions are lifted.	• The Group has written and implemented specific policies which have successfully allowed us to adopt working practices to meet UK government guidelines on workforce protection, enabling social distancing across all our facilities, encouraging working from home wherever roles permit and promoting employee health and wellbeing across the business. • The Group has continued to support our customers, maintaining close dialogue with them and remaining focused on safely delivering their orders. • The Group has taken a number of prudent measures to manage cost and conserve cash and core capability in the business, including closure of the Quadscot facility in the PMC division.	**NEW**
Market sectors The Group operates in and is therefore impacted by the macro conditions in the oil and gas, defence, industrial gases and hydrogen 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 oil and gas such as defence and hydrogen energy storage and revenues from these areas have risen. • The Group has responded to adverse conditions in oil and gas by restructuring through the Covid-19 driven downturn, including the closure of the Quadscot facility, 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 into new market sectors, new customers and new product lines.	▲

Brexit
Whilst the negotiations to determine the basis by which the UK will trade with the EU going forward have recently been concluded, there still remains a level of uncertainty and concern as to how these new arrangements will operate in practice. The potential implications for the Group tend to focus around currency fluctuation and cross-border business. Any changes to cross-border trading, including tariffs and non-tariff barriers, which could be imposed through failure by the UK to comply with the agreement, could affect both working capital requirements, by extending supply chains, and the costs of both manufacturing and sales.
	• The Group typically quotes for business on a short quote expiry and there is considered to be a relatively limited risk in the following areas:
	  ◦ VAT and duty particularly related to the import of raw materials.
	  ◦ Exchange rates.
	• The Group is actively working with the Sheffield Chamber of Commerce and Industry to assess risk and to better understand the practical implications of the recent agreement with the EU.
	• The Group has obtained Authorised Economic Operator Status (AEO) as part of its risk mitigation procedures.
		▼

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
1. Global economic conditions and market volatility continued		
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 prior year there is a potential volatility on a transactional basis to movement between the CAD:GBP arising on the repayments in June 2021 of the remaining Promissory Note of £3.1 million due from Greenlane Renewables Inc. which is denominated 50:50 GBP:CAD.	▼

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
2. Government 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. Whilst unlikely in the short term, a 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. In November 2020, the government announced a significant increase in defence spending over the next four years. However, the Covid-19 pandemic has resulted in a very significant increase in government borrowings which may have a negative impact on the government's ability to meet this commitment.	• Changes that impact our defence contracts 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 requirements. • Given the considerable additional debt incurred during the pandemic by HMG to fund business and employee support, increases in business taxes are a distinct possibility.	▶
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. • On 26 November 2019, the Group confirmed that its CSC business had been found guilty of a charge brought by the HSE under Section 2 of the H&S at Work Act following a fatal accident at the site in June 2015. On 13 January 2020, the Group was sentenced to a fine of £0.7 million along with prosecution costs of £0.2 million.	▶

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 were reviewed in the prior year and enhanced and a new governance framework established.	
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, particularly with regard to the growth in our hydrogen energy business in the CSC division. There remains significant uncertainty in the UK economy as a result of Covid-19 and Brexit and this has increased the desirability of a more conservative and resilient capital structure. 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 existing revolving credit facility (RCF) of £12 million at the year end, was put in place in December 2019 for two years through to December 2021. In December 2020, the Group extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term. • The Group undertook a fundraising through the issue on 18 December 2020 of 12,471,998 new ordinary shares which raised cash proceeds, net of expenses, of approximately £7.0 million. • Long-term finance products, such as leasing, are used for core debt items such as capital investments. • Working capital levels, cash conversion and bank covenant compliance are regularly monitored by executive management and reported to the Board.	

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
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 and these have driven an important cultural change that is more focused on performance and customer service. • A similar programme of significant management changes within the Cylinders division was completed in December 2019, which has already helped drive operational improvements, better customer service and stronger colleague engagement across the division. • The Board was strengthened during the year with the appointment of a new Chairman and two new Non-Executive Directors. The Chief Financial Officer stepped down from the Board in October 2020 and has been replaced on an interim basis by the previous Group Financial Controller pending the appointment of a permanent successor.	▶
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 post the Covid-19 crisis and the Group develops into new markets such as hydrogen energy 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 and 2020 have been a period of transition for the Group including both Board and 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 recent survey was undertaken in November 2020.	▶
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. In 2020, the investment in capital assets was reduced to £2.1 million in response to the need to conserve cash due to the Covid-19 crisis. • In December 2020, the Group undertook a fundraising by the issue of new shares which raised cash proceeds, net of expenses, of £7.0 million. Of these proceeds, £3.0 million is expected to be spent in the CSC division which will include increasing manufacturing capacity and resilience.	▶

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
6. Technology and 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. The hydrogen energy market is a significant growth opportunity for the CSC division but the underlying technology is relatively immature and unproven.	• 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. We are working closely with the major players in the emerging hydrogen energy market to help ensure our products in the CSC division meet the evolving requirements of our potential customers.	▲
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 a member 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.	▲

Approval of the Strategic report
The Strategic report, as set out on pages 02 to 33, has been approved by the Board.

By order of the Board

Chris Walters
Chief Executive

13 January 2021

Ensuring effective corporate governance

Pressure Technologies plc is proud of its reputation for being honest and fair in the way it does business.

Sir Roy Gardner
Chairman

The Board fully supports the underlying principles of corporate governance contained in the Corporate Governance Code ("the Code") and the Board has 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.

Report of the Remuneration Committee
To read more see page 40

Directors' Report
To read more see page 43

Audit and Risk Committee Report
To read more see page 47

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 02 of these financial statements.

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) 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.

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.

Subcommittees

In addition to the main Board Committees, the Group also has the following subcommittee 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, 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.

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.

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 pages 28 to 33 of these financial statements, includes the key risks to the Group's strategy.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises a Chairman, Sir Roy Gardner, who joined the business in January 2020, a Senior Independent Non-Executive Director, Brian Newman, who has served the business for five years and two Independent Non-Executive Directors, Tim Cooper, who joined the business in January 2020 and Mike Butterworth, who joined the business in June 2020. There is currently one Executive Director, Chris Walters, Chief Executive, who joined the Group in September 2018. The Chief Financial Officer stepped down from the Board in October 2020 and has been replaced on an interim basis by the previous Group Financial Controller in a non-Board capacity, pending the appointment of a permanent successor. Board meeting and Committee meeting frequency and attendance are set out within these financial statements 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 their 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. The skills that each member brings to the Board are clearly set out on the Group's website. 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 30 of the 2019 Annual Report notes that details of the performance evaluation procedures for each Director, the whole Board, or each Committee, are not currently disclosed. As several appointments to the Board were made during 2020 and the business was impacted by the Covid-19 pandemic, no Board evaluation was carried out in 2020. However, it is the current intention that the Board evaluation process will be reviewed, updated and re-implemented during 2021. The updated evaluation process and schedule will be published through the Group's website in due course.

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. The principles that apply to how the Group works with its customers, employees, shareholders and the local communities in which it operates are set out on the Group's 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

In addition to a Directors' Report, reports from the Remuneration Committee and the Audit and Risk Committee are included in these financial statements. The Chief Executive meets periodically 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 guidelines 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.

Sir Roy Gardner
Chairman

13 January 2021

Experienced leadership

Sir Roy Gardner N R
Chairman

Appointed
January 2020

Relevant strengths
- 40 years' experience in leading FTSE 250 companies.
- Recognised by Harvard as one of the world's leading wealth creators.
- Multi-industry expertise.

Relevant experience
- Fellow of the Chartered Association of Certified Accountants, City & Guilds Institute and Energy Institute.
- Leads and chairs large international businesses, many of them providing services to, or regulated by, governments.
- Chair of Serco plc and the Senior Non-Executive Director of Mainstream Renewable Power Limited.
- Previously Chief Executive of Centrica plc, Chairman of Manchester United plc, Chairman of Compass Group plc and Senior Independent Director of William Hill plc.

External commitments
- Chairman of the Board of Governors at St. Albans School.
- Tireless fundraiser for many charities and most notably was President of Carers UK, Chairman of the Employers Forum on Disability and Chairman of The Princess Royal's Development Trust.

Brian Newman A N R
Senior Independent Non-Executive Director

Appointed
September 2015

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 and 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 and gas certification businesses.
- Chief Executive and co-owner of VCT-backed oil and gas technology SME, TSC Inspection Systems.

External commitments
- Trustee of the Royal National Lifeboat Institution (RNLI) and member of the Technical Committee.

Tim Cooper
Independent
Non-Executive Director

A N R

Appointed
January 2020

Relevant strengths
- Strong commercial expertise in industrial markets.
- Operational management in manufacturing organisations.
- Growing international, technically based businesses.

Relevant experience
- Over 40 years' of international business experience in FTSE plc. Venture Capital and privately-owned companies.
- Former Executive Director of Victrex plc for seven years and has previously held Managing Directorships of Umeco plc, Tellermate plc and Avery Berkel Limited.
- BA (Hons) in Business Studies.
- Institute of Directors Certificate in Company Direction.

External commitments
- Non-Executive Director of Renold plc and Chair of their Remuneration Committee.

Mike Butterworth
Independent
Non-Executive Director

A N R

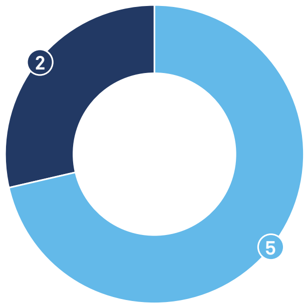
Appointed
June 2020

Relevant strengths
- 18 years' experience in Chair of Audit Committee and Non-Executive Director roles.
- Cross-sector expertise.
- Chief Financial Officer of FTSE 250 company.

Relevant experience
- Qualified chartered accountant with an Honours degree in Philosophy, Politics and Economics from the University of Oxford.
- Former Chief Financial Officer at Incepta Group plc and Cookson Group plc, a FTSE 250 business.
- Former Non-Executive Director and Chair of the Audit Committee of Kin and Carta plc, Johnston Press plc and Cambian Group plc.
- Former Senior Independent Director at Kin and Carta plc and Johnston Press plc.

External commitments
- Non-Executive Director and Chair of the Audit Committee of Stock Spirits Group plc.
- Non-Executive Director of Hammerson plc.

BOARD COMPOSITION



1. Executive Directors: **2**
2. Non-Executive Directors: **5**

BOARD ATTENDANCE

11/11

BOARD MEETING ATTENDANCE

11/11
11/11
11/11
8/8
8/8
4/4
2/2

AUDIT AND RISK ATTENDANCE

7/7
5/5
3/3
2/2

NOMINATION ATTENDANCE

2/2
2/2

REMUNERATION ATTENDANCE

3/3
3/3

COMMITTEE KEY

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

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. All members attended all four meetings during the year, except for Sir Roy Gardner who has attended one meeting since his appointment to the Board on 23 January 2020, Tim Cooper who has attended one meeting since his appointment to the Board on 28 January 2020 and Mike Butterworth who has attended one meeting since his appointment to the Board on 23 June 2020. 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.

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 8% of basic salary into individual money purchase pension schemes so long as this is matched by a minimum of 6%, 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

Under the terms of this plan, introduced in September 2018, each participant has 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 3 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 and as of 3 October 2020 only one Executive Director 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 and fees £'000	Benefits £'000	Bonus** £'000	Pension £'000	Exceptional emoluments £'000	**Total 2020 £'000**	Total 2019 £'000	**Employers' national insurance 2020 £'000**	Employers' national insurance 2019 £'000
Non-Executive:									
Sir Roy Gardner	**46**	—	—	—	—	**46**	—	**2**	—
Brian Newman	**40**	—	—	—	—	**40**	45	**4**	5
Neil MacDonald	**28**	—	—	—	—	**28**	43	**4**	5
Tim Cooper	**27**	—	—	—	—	**27**	—	**2**	—
Mike Butterworth	**11**	—	—	—	—	**11**	—	**1**	—
Alan Wilson	—	—	—	—	—	—	43	—	3
Executive:									
Joanna Allen	**145**	**1**	**40**	**22**	**110**	**318**	215	**24**	25
Chris Walters*	**208**	**2**	—	**29**	—	**239**	241	**34**	32
Total remuneration	**505**	**3**	**40**	**51**	**110**	**709**	587	**71**	70

* Chris Walters' salary of £215,000 was subject to a voluntary reduction of 20% in August and September 2020 to support Group cost saving measures. His total remuneration in 2020 excludes £57,842 (2019: £48,808) of taxable accommodation and travel expenses and allowances.

** Bonus payable for completion of sale of GRN Inc. shareholding in July 2020.

Part of the remuneration of Sir Roy Gardner was paid to a management company which he controls.

The number of Directors who accrued benefits under money purchase pension arrangements in the period was two (2019: two).

On 20 August 2020 it was agreed that Joanna Allen would step down from her role as Chief Financial Officer. She subsequently resigned from the Board, with effect from 28 September 2020 and left the business at the end of October 2020. Exceptional emoluments for Joanna Allen include a payment in lieu of contractual notice of £80,000 with the balance as an ex-gratia severance payment.

Chris Walters' salary for the year ending 2 October 2021 will remain at its current level of £215,000 per annum. Bonus arrangements for the year ending 2 October 2021 have not yet been determined by the Remuneration Committee due to the uncertainties arising from the Covid-19 pandemic. However, the maximum amount payable under any bonus arrangements will not exceed the current policy limit of 50% of salary.

Following the resignation of Joanna Allen as Chief Financial Officer on 20 August 2020, an interim replacement was appointed but this was a non-Board position. It is expected that a permanent replacement will be appointed to the Board as Chief Financial Officer during the current year. Their remuneration arrangements will be determined by the Remuneration Committee at the time of their appointment but these arrangements will be in line with current policy.

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 (2019: nil).

Directors' share awards and options

The Directors' interests in the LTIP scheme are as follows:

	Scheme	Date granted	Number	Consideration price
Chris Walters	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 over the performance period, i.e. dividends).

No awards were made under the LTIP during the year. LTIP arrangements for the year ending 2 October 2021 have not yet been determined by the Remuneration Committee due to the uncertainties arising from the Covid-19 pandemic. The current LTIP arrangements will be reviewed during the course of the current year to determine whether these arrangements remain aligned with business circumstances.

The movements in share options held by Directors relating to the Group's Save-As-You- Earn (SAYE) scheme in the period are as follows:

	Chris Walters No.	Joanna Allen No.
Outstanding at the beginning of the period	—	94,274
Granted during the period	21,818	27,272
Lapsed during the period	—	(121,546)
Outstanding at the end of the period	21,818	—

The Directors' options granted in the period shown above relate to the Group's SAYE scheme (see Note 28).

On behalf of the Board

Brian Newman
Chairman, Remuneration Committee

13 January 2021

The Directors present their report and the audited financial statements for the period from 29 September 2019 to 3 October 2020.

Principal activities

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

Chesterfield Special 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 two subsidiaries, CSC Deutschland GmbH, based in Germany, and Chesterfield Special Cylinders Inc., based in Pittsburgh.

Precision Machined Components

The Precision Machined Components division consists of four businesses as follows:

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. These entities' operations were transferred to Roota Engineering Limited during the year and operations ceased on 12 June 2020.

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

Results and dividends

The consolidated statement of comprehensive income is set out on page 56. The adjusted operating loss on ordinary activities of the Group for the period ended 3 October 2020 amounted to £2.4 million (2019: £2.2 million adjusted profit). The Group made a loss before taxation of £20.0 million (2019: £0.5 million) which included amortisation, impairment and exceptional costs totalling £17.6 million.

No interim dividend was paid in the period (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £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 rests with 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. In particular, 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 2020 (2019: nil).

Substantial shareholdings

As at 31 December 2020, 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
Schroder Investment Management	7,832,304	25.21%
Gresham House	5,666,234	18.24%
Premier Miton Group	3,500,000	11.27%
Hargreaves Lansdown	1,730,961	5.57%
James Sharp & Co	1,665,632	5.36%
Interactive Investor Trading	1,053,718	3.39%
Mr John TS Hayward	1,007,500	3.24%
Barclays Bank	970,933	3.13%

Directors and their interests

The present Directors of the Company are set out on pages 38 to 39. During the year the following Directors held office:

Sir RA Gardner (appointed 23 January 2020)
CL Walters
BM Newman
TJ Cooper (appointed 28 January 2020)
MG Butterworth (appointed 23 June 2020)
NA MacDonald (retired 4 March 2020)
JC Allen (resigned 28 September 2020)

All Directors were Directors throughout the period and up to the date of this report unless otherwise stated. All Directors attended all Board meetings throughout the year, subject to their appointment date.

Ordinary shares	**31 December 2020 No.**	3 October 2020 No.	28 September 2019 No.
Sir Roy Gardner	**326,667**	160,000	—
Chris Walters	**84,667**	18,000	—
Brian Newman	**30,000**	10,000	10,000
Tim Cooper	**11,667**	—	—
Mike Butterworth	**50,000**	—	—
Neil MacDonald	**—**	—	45,200
Joanna Allen	**—**	—	5,000

As part of the fundraise in December 2020, all of the Directors subscribed for a number of new shares, which is reflected in the shareholding shown as at 31 December 2020.

Share options and awards

Details of the share options and awards granted in the period are disclosed in Note 28 to the consolidated financial statements.

The Directors' interests in share options and awards 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, 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 25 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 Group'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 on pages 28 to 33. 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 existing revolving credit facility (RCF) of £12 million at the year end was put in place in December 2019 for two years through to December 2021 (see Note 22). In December 2020 the Group extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term. In addition, in December 2020 the Group undertook a fundraising through the issue of new shares which raised cash proceeds, net of expenses, of approximately £7 million.

Management have produced forecasts for the period up to January 2022 for all business units, taking account of reasonably plausible changes in trading performance and market conditions, which have been reviewed by the Directors. These reasonably plausible changes include the continued impact of the Covid-19 pandemic and the impact of the currently depressed oil and gas market. The forecasts demonstrate that the Group is forecast to generate profits and cash in 2020/2021 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.

After undertaking these assessments 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 in 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 have expressed their willingness 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.

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.

Subsequent events
The Company's existing RCF of £12 million at the year end was put in place in December 2019 for two years through to December 2021 (see Note 22). In December 2020 the Company extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term. In addition, the Company undertook a fundraising through the issue on 18 December 2020 of 12,471,998 new ordinary shares which raised cash proceeds, net of expenses, of approximately £7 million.

By order of the Board

Chris Walters
Chief Executive

13 January 2021

Strategic Report
Governance
Financial Statements

Members and meetings

The Group's Audit and Risk Committee ("the Committee") is chaired by Mike Butterworth, who replaced Brian Newman as Chairman on 23 June 2020. Mike Butterworth is a Chartered Accountant and the Board is satisfied that he brings recent and relevant financial experience to the Committee having served as CFO of a FTSE 250 company for eight years until December 2012. The Committee's members are set out on the Group's website. All members attended all seven meetings during the year, except for Mike Butterworth who has attended two meetings since his appointment to the Board on 23 June 2020 and Tim Cooper who has attended five meetings since his appointment to the Board on 28 January 2020. 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 'whistleblowers'.

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

- Governance: 30%
- Risk management: 30%
- Financial reporting: 20%
- Audit: 20%

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 28 to 33. 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.

The year under review has seen significant disruption to the business due to the Covid-19 pandemic, particularly for the Precision Machined Components (PMC) division which experienced a significant reduction in activity resulting in the need for additional restructuring measures. Covid-19 has also resulted in delays to the programme of investment in MRP and ERP systems in both the PMC and CSC divisions. These programmes will be restarted as soon as possible in the coming year in order to 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 system upgrades and specific tax matters.

Contract accounting judgements

As explained more fully in our accounting policies on page 60, 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 in the prior 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 was in agreement with the position adopted.

Carrying value of intangible assets

The Group's policies on accounting for separately acquired intangible assets and goodwill on acquired businesses are set out in our accounting policies on pages 62 and 64. The results of this year's testing indicated that an impairment was required for the PMC division, one of the Group's cash-generating units, of £13.9 million, comprising £9.5 million of goodwill, £2.1 million of intellectual property, £2.2 million of non-contractual customer relationships and £0.1 million of software items. The impairment reflects the very difficult trading conditions and outlook for the oil and gas market, PMC's key end-market.

As part of the testing, the Committee has reviewed the key assumptions behind these valuations; notably the expected development of future cash flows and the discount rates used, as well as considering reasonable sensitivities to these estimates, and concluded that the impairment noted above was required.

Carrying value of investments in subsidiary undertakings – company only accounts

In the company-only accounts of Pressure Technologies plc, the Company's policy on accounting for investments in subsidiary undertakings is set out on page 93. The results of this year's testing indicated that an impairment of £26.5 million was required in respect of the majority of the Company's investment in the holding company, PT Precision Machined Components Limited, which owns the subsidiary companies that comprise the operations of the Precision Machined Components division.

As part of the testing, the Committee has reviewed the key assumptions behind this valuation; notably the expected development of future cash flows and the discount rates used, as well as considering reasonable sensitivities to these estimates, and concluded that the impairment noted above was required.

Going concern

In assessing whether the Group is a going concern, and accordingly making our recommendation to the Board, the Committee considered a paper prepared by management based on guidance published by the Financial Reporting Council. The assessment was made for the period of 12 months from the date of this report, in accordance with accepted practice. Based on internal forecasts, we reviewed the Group's debt maturity profile, including headroom and compliance with financial covenants, and its capital structure. We stress tested this by adjusting the Group's internal forecast cash flow by a combination of the principal risks we have identified – notably delays in key contracts in CSC and reductions in PMC activity due to a further deterioration in oil and gas markets. The review took into account the extension and amendment of the Group's bank facilities, which was completed in December 2020, and the raising of £7.0 million (net of expenses) of additional capital from shareholders, which was completed on 18 December 2020. Based on the above, the Committee concluded that the application of the going concern basis for the preparation of the Annual Report and financial statements remained appropriate.

Exceptional items

The classification of exceptional items was considered by the Committee due to their nature and value. For the current year, exceptional items included costs associated with divisional and Group restructuring, the closure of an operational facility, costs in relation to the HSE fine, profit on sales of assets and investments, and impairment and amortisation charges related to goodwill, intangible assets, inventory and a modification to Promissory Note receivables. The Committee reviewed reports from management outlining the accounting policy on the classification of exceptional items (set out on page 69) and satisfied itself that it was appropriate to separately identify these items on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group.

IFRS 16 Leases

IFRS 16 Leases, which details how leases should be accounted for in the financial statements, became effective for the Group in the current year. The Committee reviewed a paper prepared by management on how this new accounting standard would be adopted in the financial statements and agreed with its recommendations.

Other matters

The Group has operated a 'whistleblowing' 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.

Following the receipt by a key customer of a suspected malicious email purporting to be from an employee of one of the Group's subsidiary companies and containing false claims regarding the customer's project, the customer conducted an investigation in accordance with their corporate whistleblowing policy and subsequently concluded that there was no foundation to the claims and no further action was required.

Approved by the Board and signed on its behalf by:

Mike Butterworth
Chair of the Audit and Risk Committee

13 January 2021

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 53 week period ended 3 October 2020, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity and notes to the financial statements, including a summary of significant 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 Disclosure 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 3 October 2020 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and the parent company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and the parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or a parent company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's and the parent company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and the parent company will continue in operation.

Overview of our audit approach

- Overall materiality: £127,000, which represents 0.5% of the group's revenue;
- Key audit matters for the group were identified as going concern, revenue recognition, 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 UK-based non-dormant 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
Going concern As stated in 'The impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is one of the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the group and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. We therefore identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	This included, but was not restricted to: • Obtaining management's original forecasts covering the period from October 2020 to January 2022, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions; • Assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast; • Assessing management's cash position along with the level of subsequent trade to determine the impact of the pandemic on the quarterly covenant tests; • Performing sensitivity analysis on management's revised forecasts to determine the reduction in earnings before interest, tax, depreciation and amortisation (EBITDA) that would lead to elimination of the headroom in their original cash flow forecasts; and • Assessing the adequacy of the going concern disclosures included within the annual report and financial statements. The group's accounting policy on going concern is shown in the accounting policies section on page 60 to the financial statements. The Audit and Risk Committee identified going concern as a significant matter in its report on page 48, where the Audit and Risk Committee also described the action that it has taken to address this issue. **Key observations** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

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 presumption that there are risks of fraud in revenue recognition.
 	
The group enters into a high volume of transactions and some contracts are entered into which span the 3 October 2020 period end. These contracts have varying terms and degrees of complexity. There is a risk that the deferral and recognition of revenues does not match the underlying terms of customer contracts, in particular the period over which the performance obligations are met, or is not in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'.
 	
Revenue recognition is dependent on management judgement, heightening this risk.
 	
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 accordance with the policy by:
	  • Testing 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 period; 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 is shown in the accounting policies section on page 63 to the financial statements and related disclosures are included in Note 1. The Audit and Risk Committee identified contract accounting judgements as a significant matter in its report on page 48, where the Audit and Risk Committee also described the action that it has taken to address this issue.
	
	Key observations
	Based on our audit work addressing the risk of improper revenue recognition from contracts, we found that revenue from contracts is being accounted for, and recognition is in accordance with the financial reporting framework, including IFRS 15.

KEY AUDIT MATTER – GROUP

Impairment of goodwill and other non-current assets
The carrying value of goodwill and other non-current assets at 3 October 2020 was £15.7 million, following an impairment of £13.9 million being recorded during the period ended 3 October 2020. There is a risk that the carrying value of these assets exceeds their recoverable amount.

As required by IAS 36 'Impairment of Assets', 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.

HOW THE MATTER WAS ADDRESSED IN THE AUDIT – GROUP

Our audit work included, but was not restricted to:

- Determining the integrity of the impairment models by testing the mathematical accuracy;
- Obtaining and 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 group's accounting policy on impairment of goodwill and other non-current assets is shown in the accounting policies section on page 64 to the financial statements and related disclosures are included in Note 4. The Audit and Risk Committee identified carrying value of intangible assets as a significant matter in its report on page 48, where the Audit and Risk Committee also described the action that it has taken to address this issue.

Key observations
Based on our audit work, we have not identified a material misstatement in the impairment of goodwill and other non-current assets and consider that the disclosures in Note 4 to the financial statements appropriately describe this matter.

KEY AUDIT MATTER – PARENT

Impairment of investments in subsidiaries
The carrying value of investments in subsidiaries was £6.5 million as at 3 October 2020. There is a risk that the carrying value of these assets exceeds their recoverable amount.

As required by IAS 36 'Impairment of Assets', management performs an impairment review on an annual basis using discounted cash flows on a value in use basis.

The key judgements made by management 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 in subsidiaries as a significant risk, which was one of the most significant assessed risks of material misstatement.

HOW THE MATTER WAS ADDRESSED IN THE AUDIT – PARENT

Our audit work included, but was not restricted to:

- Determining the integrity of the impairment models by testing the mathematical 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 on page 92 to the financial statements and related disclosures are included in Note 4. The Audit and Risk Committee identified the carrying value of investments as a significant issue in its report on page 48, where the Audit and Risk Committee also described the action that it has taken to address this issue.

Key observations
Following our challenge of management's cash flow forecasts, an impairment charge of £26.5 million was recognised against the carrying value of investments in subsidiaries.

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	£127,000, which is 0.5% of the group's revenue. This benchmark is considered the most appropriate because revenue is a key performance indicator (KPI) of the group (as part of the growth and return KPI) and is a stable base. Materiality for the current period is lower than the level that we determined for the period ended 28 September 2019 to reflect the reduction in revenue in the current period.	£117,000, which is 1% of the parent company's total assets, capped at its component materiality, being 92% of group materiality Total assets is considered the most appropriate benchmark as the parent company is primarily a holding company and its major activities relate to holding the investments in its subsidiary undertakings. Materiality for the current period is higher than the level that we determined for the period ended 28 September 2019 to reflect the higher percentage at which the parent company materiality is capped this period.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£6,350 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,850 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 that component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total assets, revenues and loss before taxation;
- performing full scope audit procedures on the financial statements of the parent company and on the financial information of all other non-dormant UK-based group components;
- conducting planning and interim visits, and evaluating the group's internal controls environment including its IT systems and controls;
- undertaking targeted procedures on the financial information of non-significant components with no external revenue; and
- the components subject to full scope audit procedures represent 100% of the group's revenue and net assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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 period 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 set out on pages 45 to 46, 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.

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

13 January 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 53 week period ended 3 October 2020

	Notes	**53 weeks ended 3 October 2020 £'000**	52 weeks ended 28 September 2019 £'000
Revenue	1	**25,403**	28,291
Cost of sales		**(20,054)**	(19,119)
Gross profit		**5,349**	9,172
Administration expenses		**(7,728)**	(6,938)
Operating (loss)/profit before amortisation, impairments and other exceptional costs		**(2,379)**	2,234
Separately disclosed items of administrative expenses:			
Amortisation	4	**(1,958)**	(1,832)
Impairments	4	**(13,878)**	—
Other exceptional charges	5	**(2,751)**	(450)
Operating loss		**(20,966)**	(48)
Finance income/(costs)	2	**977**	(467)
Loss before taxation	3	**(19,989)**	(515)
Taxation	9	**1,113**	126
Loss for the period from continuing operations		**(18,876)**	(389)
Discontinued operations			
Loss for the period from discontinued operations		**—**	(1,203)
Loss for the period attributable to the owners of the parent		**(18,876)**	(1,592)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency exchange differences on translation of foreign operations		**(13)**	(140)
Exchange differences on translation of discontinued foreign operations		**—**	325
Total other comprehensive income		**(13)**	185
Total comprehensive expense for the period attributable to the owners of the parent		**(18,889)**	(1,407)
Basic loss per share			
From continuing operations	10	**(101.5)p**	(2.1)p
From discontinued operations	10	**—**	(6.5)p
From loss for the period		**(101.5)p**	(8.6)p
Diluted loss per share			
From continuing operations	10	**(101.5)p**	(2.1)p
From discontinued operations	10	**—**	(6.5)p
From loss for the period		**(101.5)p**	(8.6)p

The accounting policies and notes on pages 60 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 3 October 2020

	Notes	3 October 2020 £'000	28 September 2019 £'000
Non-current assets			
Goodwill	12	**—**	9,510
Intangible assets	13	**325**	6,598
Property, plant and equipment	14	**14,910**	14,042
Deferred tax asset	26	**464**	278
Other financial assets	18	**—**	7,350
		15,699	37,778
Current assets			
Inventories	19	**5,487**	5,115
Trade and other receivables	20	**11,543**	9,541
Cash and cash equivalents	31	**3,416**	2,208
Asset held for sale	15	**580**	—
Other financial assets	18	**3,074**	—
Current tax		**—**	95
		24,100	16,959
Total assets		**39,799**	54,737
Current liabilities			
Trade and other payables	21	**(14,370)**	(7,360)
Borrowings – revolving credit facility	22	**—**	(10,800)
Lease liabilities	23	**(1,209)**	(656)
		(15,579)	(18,816)
Non-current liabilities			
Other payables	21	**(538)**	(158)
Borrowings – revolving credit facility	22	**(6,773)**	—
Lease liabilities	23	**(2,843)**	(2,116)
Deferred tax liabilities	26	**(752)**	(1,561)
		(10,906)	(3,835)
Total liabilities		**(26,485)**	(22,651)
Net assets		**13,314**	32,086
Equity			
Share capital	27	**930**	930
Share premium account		**26,172**	26,172
Translation reserve		**(293)**	(280)
Retained earnings		**(13,495)**	5,264
Total equity		**13,314**	32,086

The accounting policies and notes on pages 60 to 89 form part of these financial statements.

The financial statements were approved by the Board on 13 January 2021 and signed on its behalf by:

Chris Walters
Director

Company Number: 06135104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 53 week period ended 3 October 2020

	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 29 September 2018		930	26,172	(465)	6,756	33,393
Share based payments	28	—	—	—	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 expense:						
Exchange differences on translating foreign operations		—	—	(140)	—	(140)
Other comprehensive income:						
Exchange differences on translation of discontinued foreign operations		—	—	325	—	325
Total comprehensive income/(expense)		—	—	185	(1,592)	(1,407)
Balance at 28 September 2019		930	26,172	(280)	5,264	32,086
Share based payments	28	—	—	—	117	117
Transactions with owners		—	—	—	117	117
Loss for the period – continuing operations		—	—	—	(18,876)	(18,876)
Other comprehensive expense:						
Exchange differences on translating foreign operations		—	—	(13)	—	(13)
Total comprehensive expense		—	—	(13)	(18,876)	(18,889)
Balance at 3 October 2020		**930**	**26,172**	**(293)**	**(13,495)**	**13,314**

The accounting policies and notes on pages 60 to 89 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 53 week period ended 3 October 2020

	Notes	53 weeks ended 3 October 2020 £'000	52 weeks ended 28 September 2019 £'000
Operating activities			
Cash flows from operating activities	29	**1,707**	628
Finance costs paid		**(188)**	(464)
Income tax refunded		**213**	159
Cash flows from discontinued operations		**—**	(2,534)
Net cash inflow/(outflow) from operating activities		**1,732**	(2,211)
Investing activities			
Proceeds from sale of financial assets held at FVTPL		**3,145**	—
Proceeds from sale of associate		**297**	—
Proceeds from sale of fixed assets		**268**	—
Proceeds from repayment of Promissory Note		**2,000**	—
Purchase of property, plant and equipment		**(2,103)**	(3,693)
Cash inflow on disposal of subsidiaries net of cash disposed of		**—**	1,277
Net cash from/(used in) investing activities		**3,607**	(2,416)
Financing activities			
Repayment of borrowings		**(4,250)**	(1,000)
Proceeds from new borrowings		**223**	—
Repayment of lease liabilities		**(1,301)**	(307)
Proceeds from asset financing		**1,197**	2,002
Net cash (used in)/from financing activities		**(4,131)**	695
Net increase/(decrease) in cash and cash equivalents		**1,208**	(3,932)
Cash and cash equivalents at beginning of period		**2,208**	6,140
Cash and cash equivalents at end of period		**3,416**	2,208

The accounting policies and notes on pages 60 to 89 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 90 to 101. 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 Pressure Technologies Building, Meadowhall Road, Sheffield, South Yorkshire, S9 1BT.

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ended 3 October 2020. 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 on pages 28 to 33. 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 existing revolving credit facility (RCF) of £12 million at the year end was put in place in December 2019 for two years through to December 2021 (see Note 22). In December 2020 the Group extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term. In addition, in December 2020 the Group undertook a fundraising through the issue of new shares which raised cash proceeds, net of expenses, of approximately £7 million.

Management have produced forecasts for the period up to January 2022 for all business units, taking account of reasonably plausible changes in trading performance and market conditions, which have been reviewed by the Directors. These reasonably plausible changes include the continued impact of the Covid-19 pandemic and the impact of the currently depressed oil and gas market. The forecasts demonstrate that the Group is forecast to generate profits and cash in 2020/2021 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.

After undertaking the assessments 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 in preparing the financial statements.

New standards adopted in 2020

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three interpretations (IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.

The Group elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.25%.

New standards adopted in 2020 continued

IFRS 16 'Leases' continued

The following is a reconciliation of total operating lease commitments at 28 September 2019 (as disclosed in the financial statements to 28 September 2019) to the lease liabilities recognised at 29 September 2019:

	£'000
Total operating lease commitments disclosed at 28 September 2019	1,348
Recognition exemptions – leases with remaining lease terms of less than 12 months	(17)
Total lease liabilities before discounting	1,331
Discounted using incremental borrowing rate	(125)
Total lease liabilities recognised under IFRS 16 at 29 September 2019	1,206

Standards and interpretations not yet applied by the Group

The following standards will be effective in future periods:

- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective date 1 January 2020).
- IFRS 3 'Amendments to the definition of a business' (effective date 1 January 2020).
- IAS 1 'Amendments to the definition of material to align with the Revised Conceptual Framework' (effective date 1 January 2020).
- IFRS 9, IAS 39 and IFRS 7 'Amendments in Interest Rate Benchmark Reform when accounting for hedging' (effective date 1 January 2020).

IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.

The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The Group has reviewed this standard and the other three incoming standards and does not consider that these will have any material effect on our financial statements.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

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 and 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.

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 13 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 reflects 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 3 October 2020 (2019: to 28 September 2019). 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.

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 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.

Share based employee remuneration

The Group operates equity settled share based remuneration plans for some of its employees. The Group's plans do 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 or awards 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 or awards expected to vest. Non-market vesting conditions are included in assumptions about the number of options or awards that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options or awards 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 or awards ultimately exercised are different to those estimated on vesting. Upon exercise of share options or awards, 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 of 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 and 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
As described in Note 3, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 29 September 2019

The Group as a lessee

For any new contracts entered into on or after 29 September 2019, the Group considers whether a contract is or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the Group's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included as a separate line item, 'Lease liabilities'.

Accounting policy applicable before 29 September 2019

The Group as a lessee

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 Group obtains ownership of the asset at the end of the lease term.

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.

See the accounting policy note for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Inventories

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

Accounting policy applicable before 29 September 2019 continued

The Group as a lessee continued

Income taxes

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

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

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at 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 and contract assets which are 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; 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.

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 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). During the current financial year, the equity investment was sold.

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 instruments continued

Subsequent measurement of financial assets continued

- 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.

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 included 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, and 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.

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.

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 remeasurement 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 primarily in the oil and gas industries.

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.

In the current period Pressure Technologies sold its entire shareholding of PT US Inc. and therefore no longer holds any voting rights over Kelley GTM which up to the date of the disposal had been accounted for 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.

Operating loss
Operating loss is stated before finance costs, finance income, taxation and the results of discontinued operations. Adjusted operating loss is stated after adding back amortisation, impairments and other exceptional items.

Discontinued operations
A discontinued operation is a component of the Group 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 remeasurement 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.

Asset held for sale
Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets, such as deferred tax assets or financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

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 53 week period ended 3 October 2020

	Cylinders £'000	Precision Machined Components £'000	Central costs £'000	Total £'000
Revenue from external customers	**11,218**	**14,185**	**—**	**25,403**
Gross profit/(loss)	**2,912**	**2,461**	**(24)**	**5,349**
Operating loss before amortisation, impairments and other exceptional costs	**(58)**	**(656)**	**(1,665)**	**(2,379)**
Amortisation and impairment	**(88)**	**(1,788)**	**(13,960)**	**(15,836)**
Other exceptional charges	**(827)**	**(1,752)**	**(172)**	**(2,751)**
Operating loss	**(973)**	**(4,196)**	**(15,797)**	**(20,966)**
Net finance (costs)/income	**(31)**	**(89)**	**1,097**	**977**
Loss before tax	**(1,004)**	**(4,285)**	**(14,700)**	**(19,989)**
Segmental net assets/(liabilities)*	**7,160**	**12,079**	**(5,925)**	**13,314**
Other segment information:				
Capital expenditure – property, plant and equipment	**1,287**	**793**	**23**	**2,103**
Depreciation	**641**	**880**	**205**	**1,726**
Amortisation	**88**	**1,788**	**82**	**1,958**

* Segmental net assets/(liabilities) 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.

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)
Revenue from external customers	13,860	14,431	—	28,291
Gross profit/(loss)	4,996	4,198	(22)	9,172
Operating profit/(loss) before amortisation, impairments and other exceptional costs	2,089	1,879	(1,734)	2,234
Amortisation	—	(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/(liabilities)*	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/(liabilities) comprise the net assets of each division adjusted to reflect the elimination of the cost of investment in subsidiaries and the provision of financing loans provided by Pressure Technologies plc.

1. Segment analysis continued

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

Revenue	2020 Cylinders £'000	2020 Precision Machined Components £'000	2020 Total £'000	2019 Cylinders £'000	2019 Precision Machined Components £'000	2019 Total £'000
United Kingdom	**8,509**	**7,544**	**16,053**	8,388	7,411	15,799
Europe	**1,895**	**3,678**	**5,573**	2,701	4,467	7,168
Rest of the World	**814**	**2,963**	**3,777**	2,771	2,553	5,324
	11,218	**14,185**	**25,403**	13,860	14,431	28,291

The Group's largest customer, which is reported within the Cylinders segment, contributed 13% to the Group's revenue (2019: 13% reported in the Precision Machined Components segment).

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

Revenue	2020 £'000	2019 £'000
Oil and gas	**14,901**	16,272
Defence	**5,142**	9,118
Industrial gases	**5,219**	2,175
Hydrogen energy	**141**	726
	25,403	28,291

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

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

Revenue	2020 Cylinders £'000	2020 Precision Machined Components £'000	2019 Cylinders £'000	2019 Precision Machined Components £'000
Sale of goods transferred at a point in time	**2,465**	**13,736**	8,996	14,431
Sale of goods transferred over time	**4,958**	**—**	1,739	—
Rendering of services	**3,795**	**449**	3,125	—
	11,218	**14,185**	13,860	14,431

The following aggregated amounts of transaction values relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 3 October 2020:

Revenue expected in future periods	2021 £'000
Sale of goods – Cylinders	6,457

The following table provides an analysis of the carrying amount of non-current assets and additions to property, plant and equipment, all of which are held within the United Kingdom.

	2020 £'000	2019 £'000
Non-current assets	**15,699**	37,778
Additions to property, plant and equipment	**3,434**	3,452

2. Finance income/(costs)

	2020 £'000	2019 £'000
Interest receivable	**419**	—
Interest payable on bank loans and overdrafts	**(455)**	(421)
Interest payable on lease liabilities	**(153)**	(46)
Profit on sale of associate	**297**	—
Profit on sale of shareholding in GRN Inc.	**1,895**	—
Modification of Promissory Note receivable	**(1,026)**	—
	977	(467)

In May 2020, the Group sold its holding in PT US Inc. and Kelley GTM, LLC of which it owned 40%. The proceeds for the sale of the entity was $50,000 and the sale of the assets of the business was $250,000, which translated to £297,000 of profit on sale of associate.

In June and July 2020, the Group sold its 21% shareholding in Greenlane Renewables, Inc. for cash proceeds, net of related expenses, of £3,145,000 generating a profit on sale of £1,895,000. At the same time, the Group recorded a related modification of £1,026,000 in the carrying value of the Promissory Note which formed part of the consideration on sale of the Alternative Energy division in the prior period.

3. Loss before taxation

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

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment – owned assets	**1,376**	1,291
Depreciation of property, plant and equipment – leased assets	**350**	66
Profit on disposal of fixed assets	**(61)**	—
Amortisation of intangible assets acquired on business combinations	**1,958**	1,832
Amortisation of grants receivable	**(40)**	(40)
Staff costs – excluding share based payments (see Note 7)	**10,995**	9,765
Cost of inventories recognised as an expense	**12,448**	13,921
Operating lease rentals:		
– Land and buildings	**—**	360
– Machinery and equipment	**19**	62
Foreign currency loss	**69**	10
Share based payments	**117**	100

4. Amortisation and impairments

	2020 £'000	2019 £'000
Amortisation of intangible assets	**(1,958)**	(1,832)
Goodwill and intangible assets impairment	**(13,878)**	—
	(15,836)	(1,832)

The Covid-19 pandemic, current trading performance and medium-term outlook of our OEM customers regarding the depressed oil and gas market have driven an impairment review of the goodwill and other intangible assets of the PMC division as they relate to Al-Met, Quadscot, Roota and Martract subsidiaries, acquired by the Group between 2010 and 2016. Lower than previously considered growth rates and higher risk-factored discount rates, than assumed at the half year, applied to future cash flows have resulted in a non-cash exceptional impairment to goodwill of £9.5 million (see Note 12) and other intangible assets of £4.4 million (see Note 13).

5. Other exceptional charges

	2020 £'000	2019 £'000
Reorganisation and redundancy	**(424)**	(450)
Impairment of inventory and work in progress	**(504)**	—
Costs in relation to HSE fine	**(700)**	—
Closure of Precision Machined Components facility (Quadscot)	**(690)**	—
Other costs (inc. bank refinancing and legal costs)	**(433)**	—
	(2,751)	(450)

The reorganisation and redundancy 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. Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated financial statements	**43**	37
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**67**	63
Fees payable to the Company's auditor for non-audit services:		
– Tax compliance services	**20**	37
– Tax advisory services	**34**	58
– Audit related services	**9**	14
– Other non-audit services	**5**	—

Amounts paid to the Group's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed separately as the information is only required to be disclosed on a consolidated basis.

7. Employee costs

Particulars of employees, including Executive Directors:

	2020 £'000	2019 £'000
Wages and salaries	**8,929**	8,234
Social security costs	**877**	848
Pension costs	**524**	437
Share based payments (see Note 28)	**117**	100
Exceptional costs	**665**	354
	11,112	9,973

Exceptional employee costs primarily relate to restructuring activities across the Group including the closure of the Precision Machined Components facility (Quadscot).

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

	2020 No.	2019 No.
Production	**158**	147
Selling and distribution	**16**	23
Administration	**51**	41
	225	211

The total number of employees employed by the Group in its continuing operations on 3 October 2020 was 205 (2019: 223).

8. Directors' remuneration

Particulars of Directors' remuneration are as follows:

	2020 £'000	2019 £'000
Emoluments	**548**	541
Pension costs	**51**	46
Employers' national insurance	**71**	70
Share based payments	**13**	43
Exceptional emoluments	**110**	—
	793	700

Please see the Report of the Remuneration Committee on pages 40 to 42 for full details of Directors' emoluments.

No Directors exercised any share options in the year. During the year retirement benefits were accruing to two (2019: two) Directors in respect of defined contributions schemes.

Included in the aggregate emoluments for the period ended 3 October 2020 are payments of £18,750 (2019: £16,367) made to companies controlled by Directors.

The highest paid Director received total emoluments of £296,000 and pension contributions of £22,000 (2019: total emoluments of £218,000 and pension contributions of £23,000) which includes the exceptional payment in lieu of contractual notice of £80,000 with the balance as an ex-gratia severance payment.

9. Taxation

	2020 Total £'000	2019 Continuing £'000	2019 Discontinued £'000	2019 Total £'000
Current tax credit				
Over provision in respect of prior years	**(118)**	(220)	(79)	(299)
	(118)	(220)	(79)	(299)
Deferred tax (credit)/expense				
Origination and reversal of temporary differences	**(43)**	(133)		(133)
Impairment of intangible assets	**(1,013)**	—	—	—
Under provision in respect of prior years	**61**	227		227
	(995)	94	—	94
Total taxation credit	**(1,113)**	(126)	(79)	(205)

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the period. Deferred tax is calculated at the rate applicable when the temporary differences are expected to unwind.

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

	2020 Total £'000	2019 Continuing £'000	2019 Discontinued £'000	2019 Total £'000
Loss before taxation	**(19,989)**	(515)	(1,282)	(1,797)
Theoretical tax at UK corporation tax rate 19% (2019: 19%)	**(3,798)**	(98)	(243)	(341)
Effect of charges/(credits):				
– non-deductible expenses	**74**	51	1	52
– non-deductible exceptional items	**2,970**	—	—	—
– research and development allowance	**(204)**	(118)	—	(118)
– adjustments in respect of prior years	**(57)**	7	(79)	(72)
– non-taxable profit on disposal	**—**	—	(293)	(293)
– effect of unrealised losses on discontinued operations	**—**	—	535	535
– effect of discontinued operations translation rates	**—**	62	—	62
– differences in deferred tax rates	**31**	—	—	—
– losses not previously recognised now utilised	**(129)**	(30)	—	(30)
Total taxation credit	**(1,113)**	(126)	(79)	(205)

10. Loss 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.

On 18 December 2020 the Group undertook a fundraising through the issue of 12,471,998 new ordinary shares (see Note 34) which would have materially impacted the number of shares outstanding at the end of the period, if the transaction had happened in the reporting period.

For the 53 week period ended 3 October 2020

	Total £'000
Loss after tax	**(18,876)**
	No.
Weighted average number of shares – basic	**18,595,165**
Dilutive effect of share options	**—**
Weighted average number of shares – diluted	**18,595,165**
Basic loss per share	**(101.5)p**
Diluted loss per share	**(101.5)p**
The Group adjusted loss per share is calculated as follows:	
Loss after tax	**(18,876)**
Amortisation and impairments (see Note 4)	**15,836**
Other exceptional charges (see Note 5)	**2,751**
Theoretical tax effect of the above adjustments	**(895)**
Adjusted loss	**(1,184)**
Adjusted loss per share	**(6.4)p**

In the Directors' view, adjusted loss per share reflects the ongoing performance of the business and how the business is managed on a day to day basis, and allows for a consistent and meaningful comparison.

The theoretical tax effect is based on 19% of adjustments for amortisation and other exceptional charges incurred.

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 loss per share is calculated as follows:			
Loss after tax	(389)	(1,203)	(1,592)
Amortisation (Note 4)	1,832	558	2,390
Other exceptional charges (Note 5)	450	(1,401)	(951)
Theoretical tax effect of the above adjustments	(434)	(428)	(862)
Adjusted earnings/(loss)	1,459	(2,474)	(1,015)
Adjusted earnings/(loss) per share	7.8p	(13.3)p	(5.5)p

11. Dividends

No dividends have been declared or proposed in respect of the year ended 3 October 2020 or were declared or proposed in respect of the year ended 28 September 2019.

12. Goodwill

	Total £'000
Cost and gross carrying amount	
At 29 September 2018	14,370
Removed upon business disposal	(4,860)
At 28 September 2019	9,510
Impairment	(9,510)
At 3 October 2020	**—**

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. All of the goodwill arose in respect of acquisitions in the Precision Machined Components division made in prior years.

The Group tests annually for impairment, under IAS 36, 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, using a four-year forecast and applying a discount rate of 13.0% to the Precision Machined Components division (2019: 14.7%). The 2020 assessment, following the reorganisation of the individual PMC businesses into an integrated division, has been carried out at the divisional level.

The forecast has been 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 of orders to determine revenue. The forecasts used for years two to four assume 2% revenue growth, however no long-term rate of growth or inflation is incorporated into perpetuity at the end of year four.

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.

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 a full impairment is required for the goodwill relating to the Precision Machined Components division.

Management is not aware of any other matters that would necessitate changes to its key estimates.

13. Intangible assets

Cost	Intellectual property £'000	IT systems and software licences £'000	Development expenditure £'000	Technology £'000	Non-contractual customer relationships £'000	Total £'000
At 29 September 2018	2,796	802	608	5,316	11,880	21,402
Additions	—	226	—	—	—	226
Removed upon business disposal	—	(397)	(433)	(5,316)	—	(6,146)
At 28 September 2019	2,796	631	175	—	11,880	15,482
Additions	—	53	—	—	—	53
At 3 October 2020	**2,796**	**684**	**175**	**—**	**11,880**	**15,535**
Amortisation						
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	—	(22)	(87)	(3,345)	(10)	(3,464)
At 28 September 2019	528	177	—	—	8,179	8,884
Charge for the period	188	130	88	—	1,552	1,958
Impairment	2,080	139	—	—	2,149	4,368
At 3 October 2020	**2,796**	**446**	**88**	**—**	**11,880**	**15,210**
Net book value						
At 3 October 2020	**—**	**238**	**87**	**—**	**—**	**325**
At 28 September 2019	2,268	454	175	—	3,701	6,598
Remaining useful economic life at 3 October 2020	**—**	**2 years**	**1 year**	**—**	**—**	

All of the intangible assets relating to intellectual property and non-contractual customer relationships arose in respect of acquisitions in the Precision Machined Components division made in prior years. As part of the impairment review noted in Note 12 above, it was determined that impairment of all of the intangible assets relating to intellectual property and non-contractual customer relationships in the Precision Machined Components division was required.

14. Property, plant and equipment

	Assets under construction £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
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	—	—	(272)	(272)
Disposals	—	—	(259)	(259)
Transfers	(1,108)	—	1,108	—
At 28 September 2019	503	4,726	17,585	22,814
Additions – transition under IFRS 16	—	1,092	114	1,206
Additions – right-of-use assets	—	—	178	178
Additions	1,016	17	964	1,997
Disposals	—	—	(1,802)	(1,802)
Transfers	(355)	—	355	—
Transferred to asset held for sale	—	(580)	—	(580)
At 3 October 2020	**1,164**	**5,255**	**17,394**	**23,813**
Depreciation				
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	—	—	(192)	(192)
Disposals	—	—	(259)	(259)
At 28 September 2019	—	168	8,604	8,772
Charge for the period	—	278	1,448	1,726
Disposals	—	—	(1,595)	(1,595)
At 3 October 2020	**—**	**446**	**8,457**	**8,903**
Net book value				
At 3 October 2020	**1,164**	**4,809**	**8,937**	**14,910**
At 28 September 2019	503	4,558	8,981	14,042
Leased assets				
Carrying value at 3 October 2020	**—**	**913**	**3,238**	**4,151**
Carrying value 28 September 2019	—	—	1,120	1,120

15. Asset held for sale

	2020 £'000	2019 £'000
Property for sale	**580**	—

The Group closed its operations at Quadscot Precision Engineers Limited, part of the Precision Machined Components division, in June 2020 and has put the property from which it operated up for sale.

The property has three separate conjoined units being marketed for sale and the Group expects to sell all three units, either individually or as a whole block, within the next 12 months with the proceeds receivable expected to achieve not less than the £580,000 carrying value which equates to the market value as of 3 October 2020.

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 96.

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

In the current period, Pressure Technologies sold its entire shareholding of PT US Inc. which owned 40% of the shares of Kelley GTM, LLC (KGTM) for US$50,000. As a result of the disposal, the Group no longer holds any voting rights over KGTM which up to the date of the disposal had been accounted for as an associate. The Group's share of the results of KGTM up to the date of its disposal are not included in the Group's financial statements as the investment and loans made to KGTM were fully written down in the period ended 3 October 2015 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.

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 28 September 2019						
Kelley GTM, LLC.	USA	1,128	(8,624)	1,123	(151)	40
At 3 October 2020						
Kelley GTM, LLC.	**USA**	**—**	**—**	**—**	**—**	**—**

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 28 September 2019 to 3 October 2020.

The total losses recognised against the investment and other receivables from KGTM for the period were £nil (2019: £nil) leaving unrecognised losses of £nil (2019: £151,000).

18. Other financial assets

	2020 £'000	2019 £'000
Amounts due within 12 months		
Promissory Note	**3,074**	—
Total due within 12 months	**3,074**	—
Amounts due after 12 months		
Listed security	—	1,250
Promissory Note	—	6,100
Total due after 12 months	—	7,350

As at the beginning of the year, the Group held a listed security asset which related entirely to its 21% shareholding in Greenlane Renewables Inc. and a Promissory Note which formed part of the consideration on the sale of the Alternative Energy division in the prior year. The voting rights of the shares held by the Group were restricted so the Group considered that it did not have significant influence over GRN and did not account for the investment as an associate entity in the prior year.

The fair value of the shareholding in Greenlane Renewables Inc. as at 28 September 2019 was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see Note 25). In June and July 2020, the Group sold its 21% shareholding in Greenlane Renewables, Inc. for cash proceeds, net of related expenses, of £3,145,000 generating a profit on sale of £1,895,000 which has been reflected as an exceptional credit within Finance income/(costs) in the current year (see Note 2).

The Promissory Note held at the start of the year was valued at amortised cost. The original term of the Note was four years with a repayment date of no later than 3 June 2023 at Greenlane Renewables Inc. discretion. In February 2020, a prepayment of £2.1 million was received. Interest is charged at 7% on the outstanding Promissory Note 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 was held solely to collect associated cash flows which related to principal and interest only.

In June and July 2020, the Group sold its 21% shareholding in Greenlane Renewables Inc. Linked to disposal of this shareholding during the year the terms of the related attached Promissory Note were amended to reduce the value of the Note and to accelerate the repayment date for the outstanding amount to 30 June 2021. As a result, a modification of £1,026,298 has been reflected as an exceptional charge within Finance income/(costs) in the current year (see Note 2).

The new Promissory Note is classified as being held at fair value through profit and loss as its value at the point of the modification was linked to the value at which the Greenlane Renewables Inc. shareholding was sold, thereby failing the solely payments of principal and interest test. The fair value has been assessed at the year end and is reflected in the value shown in the table above.

19. Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	**2,749**	2,023
Work in progress	**2,716**	3,010
Finished goods	**22**	82
	5,487	5,115

Inventories are stated net of provisions of £311,000 (2019: £330,000).

The write off of inventory recognised in the comprehensive income statement in the year was £504,000 (2019: £nil), which was treated as an exceptional item (see Note 5).

20. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**4,368**	7,366
Allowance for expected credit losses	**(197)**	(308)
Contract assets	**5,296**	1,056
Other receivables	**463**	425
Prepayments and accrued income	**1,613**	1,002
	11,543	9,541

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

Note 25 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. The above comparative for impairment provisions applies IFRS 9, which is an expected loss model.

	£'000
Credit losses	
At 29 September 2018	(34)
Provision through the year	(274)
At 28 September 2019	(308)
Provision through the year	(17)
Bad debts recovered	128
At 3 October 2020	**(197)**

21. Trade and other payables

	2020 £'000	2019 £'000
Amounts due within 12 months		
Trade payables	**2,911**	3,341
Contract liabilities	**505**	—
Other tax and social security	**1,758**	369
Accruals and other payables	**2,699**	1,297
Deferred income	**6,497**	2,353
Total due within 12 months	**14,370**	7,360

	2020 £'000	2019 £'000
Amounts due after 12 months		
Accruals and other payables	**420**	—
Deferred income	**118**	158
Total due after 12 months	**538**	158

With the exception of a portion of the accruals, deferred income and other payables, all amounts are short term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

21. Trade and other payables continued

Deferred income due after 12 months relates to grant income received. Grant income is measured under IAS 20 and the accounting treatment is based on the accruals method. The grant relates to monies received from the Welsh Development Agency towards a machine purchase and will be released through to April 2030. There are no unfulfilled conditions or other contingencies attached to the grants.

In the prior year the Group disclosed a contingent liability relating to the fatal accident at its subsidiary Chesterfield Special Cylinders Limited in June 2015. The company was found guilty at Sheffield Crown Court and on 9 January 2020 was fined £700,000 plus £169,000 in court costs. The Group has agreed with the Court for the fine to be paid on an instalment basis in five six-monthly payments of £140,000 commencing in January 2021 through to January 2023. As a result, at the period end £420,000 of the fine payable is due after 12 months.

22. Borrowings

	2020 £'000	2019 £'000
Current		
Revolving credit facility	—	10,800
Non-current		
Revolving credit facility	6,773	—
Total borrowings	6,773	10,800

During the period, the bank loans drawn under the revolving credit facility (RCF) had an average annual interest rate of 2% above LIBOR.

During the period the Group had in place a £12 million RCF which was drawn £6.8 million at the year end date. These bank borrowings are secured on the property, plant and equipment of the Group (see Note 14) by way of a debenture. Obligations under finance leases are secured on the plant and machinery assets to which they relate.

The Group's existing RCF at the year end was put in place in December 2019 for two years through to December 2021. In December 2020 the Group extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term.

The key financial covenant in the amended RCF remains the leverage covenant, which is tested quarterly, and has a maximum permitted net debt to adjusted EBITDA ratio of 5.5:1 for the two quarterly test dates of December 2020 and March 2021, a ratio of 3.5:1 in June 2021 reducing to a maximum of 3:1 by September 2021 and for the remainder of the term. Following the fundraising in December 2020 (see Note 34), it is expected that these covenants may be subject to amendment following discussions with the bank.

The carrying amount of 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 profiles of long-term borrowing facilities are as follows:

	2020 £'000	2019 £'000
Due within one year:		
Revolving credit facility	—	10,800
Due for settlement after one year:		
Revolving credit facility	6,773	—

The Group has the following undrawn borrowing facilities:

	2020 £'000	2019 £'000
Expiring within one year	—	4,200
Expiring beyond one year	5,227	—

Subsequent to year end, as described above the RCF was reduced from £12 million to £9 million through to 1 July 2021 and then £7 million for the remainder of the term to 30 November 2022.

23. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2020 £'000	2019 £'000
Current		
Asset finance lease liabilities	**955**	656
Right-of-use asset lease liabilities	**254**	—
	1,209	656
Non-current		
Asset finance lease liabilities	**2,003**	2,116
Right-of-use asset lease liabilities	**840**	—
	2,843	2,116

The Group has leases for certain operational factory premises and related facilities, several large items of plant and machinery equipment, an office building, a number of motor vehicles and some IT equipment.

For right-of-use assets, with the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 14). Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security.

For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 3 October 2020 were as follows:

	Within one year £'000	Over one to five years £'000	Total £'000
3 October 2020			
Lease payments	**1,335**	**3,012**	**4.347**
Finance costs	**(126)**	**(169)**	**(295)**
Net present value	**1,209**	**2,843**	**4,052**

	Within one year £'000	Over one to five years £'000	Total £'000
28 September 2019			
Lease payments	799	2,411	3,210
Finance costs	(143)	(295)	(438)
Net present value	**656**	**2,116**	**2,772**

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred and are disclosed in operating lease commitments in Note 32 to these financial statements.

24. Contract balances

	2020 £'000	2019 £'000
Costs incurred and profit recognised to date	**18,659**	10,354
Less: Progress billings	**(13,868)**	(9,298)
Net balance sheet position for ongoing contracts	**4,791**	1,056

Representing:

	2020 £'000	2019 £'000
Contract assets (Note 20)	**5,296**	1,056
Contract liabilities (Note 21)	**(505)**	—
Net balance sheet position for ongoing contracts	**4,791**	1,056

	2020 £'000	2019 £'000
Release of deferred income		
Contract revenue recognised through release of deferred income	**1,645**	—

In the prior year the Group elected to transition to the new standard IFRS 15 Revenue from Customers using the modified retrospective method. In the current financial year, we have completed several of these projects and released deferred income to contract revenue.

The contract position will change according to the number or size of contracts in progress at the year-end as well as the status of payment milestones towards those contracts. The Group will continue to structure payment milestones in order to cover the up-front costs of materials for cash flow purposes. The variance between these and the performance obligations for revenue recognition under IFRS 15 (typically acceptance of the product by the customer for all standard products), will cause increasing values to remain in deferred income for longer. The contract asset has increased compared to the prior year as the new contracts accounted under IFRS 15 have met performance obligations that have yet to be invoiced.

25. Financial instruments

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statements 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 3 October 2020.

The Group held the following categories of financial instruments:

		2020 Total £'000	2019 Total £'000
Financial assets – amortised cost (unless fair value hierarchy stated)			
– Trade receivables		**4,171**	7,058
– Other receivables		**2,076**	1,427
– Cash and cash equivalents		**3,416**	2,208
– Other financial asset – listed security	Level 1	**—**	1,250
– Other financial asset – Promissory Note	Level 3	**3,074**	6,100
		12,737	18,043

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25. Financial instruments continued

	2020 Total £'000	2019 Total £'000
Financial liabilities – amortised cost		
– Trade payables	**2,911**	3,341
– Accruals and other payables	**3,119**	1,297
– Borrowings	**6,773**	10,800
– Lease liabilities	**4,052**	2,772
	16,855	18,210

All of the financial assets and liabilities as at 3 October 2020 and 28 September 2019 were held at amortised cost, with the exception of the listed security which was held at FVTPL as at 28 September 2019. This listed security, representing the Group's shareholding in Greenlane Renewables Inc., was sold in June and July 2020.

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.

2020	**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	**5,610**	**—**	**420**	**6,030**
Bank borrowings	**122**	**122**	**7,057**	**7,301**
Amounts due under lease liabilities	**667**	**668**	**3,012**	**4,347**
	6,399	**790**	**10,489**	**17,678**

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	4,638	—	—	4,638
Bank borrowings	—	10,800	—	10,800
Amounts due under lease liabilities	399	400	2,411	3,210
	5,037	11,200	2,411	18,648

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.

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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Euro	**1,563**	556	**128**	196
US Dollar	**661**	784	**237**	477
Canadian (CAN) Dollar	**3**	3,051	**4**	4
New Zealand (NZ) Dollar	**3**	2	**—**	—
	2,230	4,393	**369**	677

25. Financial instruments continued

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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Profit or loss	**130**	33	**—**	277	**39**	28

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 £33,000 (2019: £41,000).

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 3 October 2020 the largest customer within trade receivables accounted for 13% (2019: 12%) 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 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. During the year, as a result of difficult trading conditions and following discussions with the bank, the financial covenant tests for both June and September 2020 were waived. In December 2020 the Group extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term.

The key financial covenant in the amended RCF remains the leverage covenant, which is tested quarterly, and has a maximum permitted net debt to adjusted EBITDA ratio of 5.5:1 for the two quarterly test dates of December 2020 and March 2021, a ratio of 3.5:1 in June 2021 reducing to a maximum of 3:1 by September 2021 and for the remainder of the term. Following the fundraising in December 2020 (see Note 34), is it expected that these covenants may be subject to amendment following discussions with the bank.

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, leases disclosed in Note 23 and cash and cash equivalents disclosed in Note 31 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.

	2020 £'000	2019 £'000
Debt – Revolving credit facility	**(6,773)**	(10,800)
Debt – Asset finance leases	**(2,958)**	(2,772)
Debt – Right-of-use asset leases	**(1,094)**	—
Cash and cash equivalents	**3,416**	2,208
Net debt	**(7,409)**	(11,364)
Equity	**13,314**	32,086

Debt is defined as long and short-term borrowings, as detailed in Notes 22 and 23. Net debt is debt less cash and cash equivalents, as detailed in Note 31. 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.

26. 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 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
At 28 September 2019	(477)	(1,013)	51	123	33	(1,283)
Prior year adjustment	**(65)**	**—**	**—**	**—**	**4**	**(61)**
Impairment of intangible assets	**—**	**1,013**	**—**	**—**	**—**	**1,013**
Credit/(charge) to income	**(147)**	**—**	**13**	**36**	**141**	**43**
At 3 October 2020	**(689)**	**—**	**64**	**159**	**178**	**(288)**

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

	2020 £'000	2019 £'000
Non-current asset		
Deferred tax asset	**464**	278
Non-current liabilities		
Deferred tax liabilities	**(752)**	(1,561)
	(288)	(1,283)

The deferred tax asset is expected to be recoverable against future profits generated by the Group. The Group has unused tax losses of £5,908,000.

27. Called up share capital

	2020 No.	2019 No.	**2020 £'000**	2019 £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	**18,595,165**	18,595,165	**930**	930

Subsequent to year end, on 18 December 2020 12,471,998 new ordinary shares were issued as part of a fundraising which raised cash proceeds, net of expenses, of approximately £7 million (see Note 34).

28. Share based payments

Save-As-You-Earn scheme

Pressure Technologies plc introduced a share option scheme for all employees of the Group in November 2007. An 11th grant of options was made in July 2020. 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 cancelled 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 movement of share options outstanding during the period are as follows:

	2020 No.	**Weighted average exercise price**	2019 No.	Weighted average exercise price
Outstanding at the beginning of the period	**460,650**	**99.9p**	452,473	106.6p
Granted during the period	**644,909**	**66.0p**	109,110	99.2p
Forfeited during the period	**(55,433)**	**74.4p**	(40,559)	97.6p
Cancelled during the period	**(224,173)**	**94.1p**	(10,474)	97.6p
Expired during the period	**(17,040)**	**150.0p**	(49,900)	161.2p
Outstanding at the end of the period	**808,913**	**75.2p**	460,650	99.9p

None of the outstanding options were exercisable at the end of the period. The options outstanding at 3 October 2020 had a weighted average remaining contractual life of 2.3 years (2019: 2.0 years). The terms of these options are as follows:

28. Share based payments continued

Save-As-You-Earn scheme continued

Date of grant	Options outstanding at 3 October 2020	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
26 July 2018	168,142	3 years	122.0	97.6	6 months
15 July 2019	64,042	3 years	119.0	99.2	6 months
24 July 2020	576,729	3 years	96.0	66.0	6 months
Total options outstanding at 3 October 2020	**808,913**				

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 cancelled if the employee chooses to stop contributing.

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

	2020 No.	**Weighted average exercise price**	2019 No.	Weighted average exercise price
Outstanding at the beginning of the period	**114,752**	**250.6p**	206,469	259.0p
Lapsed during the period	**(114,752)**	**250.6p**	(91,717)	269.5p
Outstanding at the end of the period	**—**	**—**	114,752	250.6p

No options were granted during the period and no options are 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.

Pressure Technologies plc – Long Term Incentive Plan – Type 2

The Group adopted a new Long Term Incentive Plan (LTIP) on 3 September 2018, when 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 overall entitlement of the only remaining Director in the plan, Chris Walters, in the overall award pool is 38%. 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 as at 3 October 2020 is £239,000. This valuation was based on the Monte-Carlo assessment model.

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:

Date granted	24 July 2020
Share price at date of offer	96.0p
Exercise price	66.0p
Expected volatility	45%
Expected life	3 years
Risk free rate	(0.1)%
Expected dividend yield	0.0%
Fair value	£271,507

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 £117,000 (2019: £100,000). The charge is calculated in accordance with IFRS 2, 'Share Based Payments'. A deferred tax credit of £20,000 (2019: credit of £18,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

29. Consolidated cash flow statement

	2020 £'000	2019 £'000
Loss after tax – continuing operations	**(18,876)**	(389)
Loss after tax – discontinued operations	**—**	(1,203)
Adjustments for:		
Finance costs – net	**189**	467
Depreciation of property, plant and equipment	**1,726**	1,377
Amortisation of intangible assets	**1,958**	2,390
Share option costs	**117**	100
Income tax credit	**(1,113)**	(126)
Profit on disposal of property, plant and equipment	**(61)**	—
Profit on sale of PT US Inc. associate	**(297)**	—
Profit on disposal of shareholding in Greenlane Renewables Inc.	**(1,895)**	—
Modification of Promissory Note receivable	**1,026**	—
Impairment of goodwill and intangible assets	**13,878**	—
Changes in working capital:		
Increase in inventories	**(372)**	(1,234)
(Increase)/decrease in trade and other receivables	**(2,002)**	402
Increase/(decrease) in trade and other payables	**7,429**	(1,156)
Cash flows from operating activities	**1,707**	628

30. Net debt reconciliation

	Borrowings £'000	Leases £'000	Cash and bank £'000	Total £'000
Cost				
At 29 September 2018	(11,800)	(1,077)	6,140	(6,737)
Cash flows	—	—	(3,932)	(3,932)
Repayments	1,000	307	—	1,307
New facilities	—	(2,002)	—	(2,002)
At 28 September 2019	(10,800)	(2,772)	2,208	(11,364)
Cash flows	—	—	1,208	1,208
Repayments	4,250	1,301	—	5,551
New facilities	(223)	(1,197)	—	(1,420)
New facilities – right-of-use leases	—	(1,384)	—	(1,384)
At 3 October 2020	**(6,773)**	**(4,052)**	**3,416**	**(7,409)**

31. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	**3,416**	2,208

32. Financial commitments

(a) Capital commitments

Commitments for capital expenditure entered into at the period end were as follows:

	2020 £'000	2019 £'000
Contracted for, but not provided in the accounts	**245**	632

This capital commitment as at 3 October 2020 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.

32. Financial commitments continued

(b) Operating lease commitments

The Group has entered into commercial leases on certain 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:

	2020 £'000	2019 £'000
Land and buildings:		
Within one year	**4**	230
In the second to fifth years inclusive	**—**	879
After more than five years	**—**	155
	4	1,264
Other assets:		
Within one year	**16**	49
In the second to fifth years inclusive	**6**	35
	22	84

Under IFRS 16 the majority of assets previously shown as operating leases were moved under transition into 'Right-of-use assets' (see Note 14). The residual operating lease commitments on other assets, which are too immaterial in value to be treated under IFRS 16, are shown above.

(c) Pension commitments

As at 3 October 2020 pension contributions of £100,000 (2019: £60,000) due in respect of the current year had not been paid over to the scheme. These were paid over in the following month and within statutory deadlines.

33. Related party transactions

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

	2020 £'000	2019 £'000
Short-term employee benefits (including employer's NI)	**619**	611
Post-employment benefits	**51**	46
Share based payments	**13**	43
Exceptional termination benefits	**110**	—
Total remuneration	**793**	700

During the period ended 3 October 2020, Pressure Technologies incurred costs of £18,750 (2019: £nil) with RAG Associates Limited with whom one of the Non-Executive Directors, Sir Roy Gardner, is a connected person. £7,500 was outstanding to be paid as at 3 October 2020 (2019: £nil). The transactions were made on an arm's length basis. In the previous year, Pressure Technologies incurred costs of £14,494 with a company related to a former Non-Executive Director.

During the period ended 3 October 2015, Pressure Technologies purchased five Gas Transportation Modules (GTMs) from Kelley GTM, LLC, in which the Group owned a 40% stake prior to its disposal in the current year. 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 June 2020 the Group sold the five GTMs for £0.3 million. As the carrying value of the GTMs disclosed within property, plant and equipment was fully written down, a profit on sale of £0.3 million was recorded in the year (see Note 2). The transaction was completed on an arm's length basis.

The Group also had 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 and as part of the sale agreement associated with the GTMs, the Directors agreed to waive any future legal claims against Kelley GTM, LLC.

34. Subsequent events

The Company's existing RCF of £12 million at the year end was put in place in December 2019 for two years through to December 2021 (see Note 22). In December 2020 the Company extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term. In addition, the Company undertook a fundraising through the issue on 18 December 2020 of 12,471,998 new ordinary shares which raised cash proceeds, net of expenses, of approximately £7 million.

Pressure Technologies plc, the Company, has £26.2 million of share premium as at year end. On 17 December 2020, the Company received shareholder approval to convert the share premium, under a capital reduction, into a distributable reserve. This process requires Court Approval. An application to the Courts has been made but the timing of the process is currently uncertain.

As at 3 October 2020

	Notes	3 October 2020 £'000	28 September 2019 £'000
Fixed assets			
Investments	4	**6,451**	32,918
Other financial assets	5	**—**	7,350
Intangible fixed assets	6	**162**	244
Tangible fixed assets	7	**3,970**	3,374
		10,583	43,886
Current assets			
Debtors	8	**1,053**	997
Other financial assets	5	**3,074**	—
Cash at bank and in hand		**375**	203
		4,502	1,200
Creditors: amounts falling due within one year			
Trade and other payables	9	**(955)**	(467)
Borrowings – revolving credit facility	9	**—**	(10,800)
Lease liabilities	10	**(171)**	(29)
Net current assets/(liabilities)		**3,376**	(10,096)
Creditors: amounts falling due after more than one year			
Borrowings – revolving credit facility	9	**(6,773)**	—
Lease liabilities	10	**(489)**	(31)
Net assets		**6,697**	33,759
Capital and reserves			
Called up share capital	12	**930**	930
Share premium account	14	**26,172**	26,172
Profit and loss account	14	**(20,405)**	6,657
Equity shareholders' funds		**6,697**	33,759

The Company reported a loss for the 53 week period ended 3 October 2020 of £27,097,000 (2019: loss of £10,333,000).

The accounting policies and notes on pages 92 to 101 form part of these financial statements.

Approved by the Board on 13 January 2021 and signed on its behalf by:

Chris Walters
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the 53 week period ended 3 October 2020

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
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
Share based payments	—	—	35	35
Transactions with owners	—	—	35	35
Loss for the period	—	—	(27,097)	(27,097)
Balance at 3 October 2020	**930**	**26,172**	**(20,405)**	**6,697**

The accounting policies and notes on pages 92 to 101 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 dealt with in the financial statements of the Company was £27,097,000 (2019: £10,333,000) after applying a tax credit (Note 11) of £32,000 (2019: £90,000 credit) to the loss before tax of £27,129,000 (2019: £10,423,000).

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 on pages 28 to 33 of the consolidated financial statements. 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 Company's existing revolving credit facility (RCF) in place at the year end was put in place in December 2019 through to December 2021 (see Note 22 to the consolidated financial statements). In December 2020 the Company extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term. In addition, in December 2020 the Company undertook a fundraising through the issue of new shares which raised cash proceeds, net of expenses, of approximately £7.0 million.

Management have produced forecasts for the period up to January 2022 for all business units, taking account of reasonably plausible changes in trading performance and market conditions, which have been reviewed by the Directors. These reasonably plausible changes include the continued impact of the Covid-19 pandemic and the impact of the currently depressed oil and gas market. The forecasts demonstrate that the Group is forecast to generate profits and cash in 2020/2021 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.

After undertaking the assessments and considering the uncertainties set out above, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future and for these reasons they continue to adopt the going concern basis in 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
6. Certain financial instruments disclosures

New standards adopted in 2020

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three interpretations (IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.

The Company elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

1. Accounting policies continued

New standards adopted in 2020 continued

IFRS 16 'Leases' continued

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.25%.

The following is a reconciliation of total operating lease commitments at 28 September 2019 (as disclosed in the financial statements to 28 September 2019) to the lease liabilities recognised at 29 September 2019:

	£'000
Total operating lease commitments disclosed at 28 September 2019	812
Recognition exemptions – leases with remaining lease terms of less than 12 months	—
Total lease liabilities before discounting	812
Discounted using incremental borrowing rate	(76)
Total lease liabilities recognised under IFRS 16 at 29 September 2019	**736**

Investments

Investments in subsidiary undertakings 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 and 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	3-15 years
Buildings	50 years
Computer equipment	3-15 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.

Leased assets

As described in Note 3, the Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

1. Accounting policies continued

Accounting policy applicable from 29 September 2019

The Company as a lessee

For any new contracts entered into on or after 29 September 2019, the Company considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included as a separate line item, 'Lease liabilities'.

Accounting policy applicable before 29 September 2019

The Company as a lessee

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.

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.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Post-employment benefit plans

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

1. Accounting policies continued

Share based payments

Where equity settled share options are awarded to employees of 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.

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:

- 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:

	2020 Number	2019 Number
Administration	**12**	10

Staff costs, including Directors:

	2020 £'000	2019 £'000
Wages and salaries	**981**	969
Social security costs	**122**	123
Other pension costs	**105**	97
Share based payments	**35**	57
Exceptional costs	**110**	100
	1,353	1,346

Further details of Directors' remuneration are provided in the Report of the Remuneration Committee and Note 8 to the consolidated financial statements.

3. Auditor's remuneration

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

4. Investments in subsidiary companies

	£'000
Cost	
At 29 September 2018	32,918
Additions	—
At 28 September 2019	32,918
Additions	—
At 3 October 2020	**32,918**
Amortisation and impairment	
At 29 September 2018	—
Charge for the period	—
At 28 September 2019	—
Charge for the period – impairment	(26,467)
At 3 October 2020	**(26,467)**
Net book value	
At 3 October 2020	**6,451**
At 28 September 2019	32,918

Investments in subsidiary companies are stated at cost less any applicable provision for impairment.

The Company tests annually for impairment, or more frequently if there are indicators that the carrying value of investment in subsidiary companies might be impaired. The impairment review is described in Note 12 to the consolidated financial statements. This review indicated that an impairment was required in respect of the majority of the Company's investment in the holding company, PT Precision Machined Components Limited, which owns the subsidiary companies that comprise the operations of the Precision Machined Components division. The recoverable amount of the Precision Machined Components division is stated at the value in use.

4. Investments in subsidiary companies continued

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

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

* Indirectly held subsidiaries.

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

Pressure Technologies Building, Meadowhall Road, Sheffield, S9 1BT.

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 financial assets

Amounts due within 12 months	2020 £'000	2019 £'000
Promissory Note	3,074	—
Total due within 12 months	**3,074**	—

Amounts due after 12 months	2020 £'000	2019 £'000
Listed security	—	1,250
Promissory Note	—	6,100
Total due after 12 months	**—**	7,350

As at the beginning of the year, the Company held a listed security asset which related entirely to its 21% shareholding in Greenlane Renewables Inc. and a Promissory Note which formed part of the consideration on the sale of the Alternative Energy division in the prior year.

The fair value of the shareholding in Greenlane Renewables Inc. as at 28 September 2019 was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy – see Note 25 of the consolidated financial statements). In June and July 2020, the Company sold its 21% shareholding in Greenlane Renewables, Inc. for cash proceeds, net of related expenses, of £3,145,000 generating a profit on sale of £1,895,000.

The Promissory Note held at the start of the year was valued at amortised cost. The original term of the Note was four years with a repayment date of no later than 3 June 2023 at Greenlane Renewables Inc. discretion. In February 2020, a prepayment of £2.1 million was received. Interest is charged at 7% on the outstanding Promissory Note 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 was held solely to collect associated cash flows which related to principal and interest only.

In June and July 2020, the Group sold its 21% shareholding in Greenlane Renewables Inc. Linked to disposal of this shareholding during the year the terms of the related attached Promissory Note were amended to reduce the value of the Note and to accelerate the repayment date for the outstanding amount to 30 June 2021.

The new Promissory Note is classified as being held at fair value through profit and loss as its value at the point of the modification was linked to the value at which the Greenlane Renewables Inc. shareholding was sold, thereby failing the solely payments of principal and interest test. The fair value has been assessed at the year end and is reflected in the value shown in the table above.

6. Intangible fixed assets

	IT systems and software £'000
Cost	
At 28 September 2019	411
Additions	—
At 3 October 2020	**411**
Amortisation	
At 28 September 2019	167
Charge for the period	82
At 3 October 2020	**249**
Net book value	
At 3 October 2020	**162**
At 28 September 2019	244

7. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost				
At 28 September 2019	3,355	445	136	3,936
Additions – transition under IFRS 16	711	19	6	736
Additions – right-of-use assets	—	—	37	37
Additions	15	3	12	30
At 3 October 2020	**4,081**	**467**	**191**	**4,739**
Depreciation				
At 28 September 2019	50	436	76	562
Charge for the period	140	21	46	207
At 3 October 2020	**190**	**457**	**122**	**769**
Net book value				
At 3 October 2020	**3,891**	**10**	**69**	**3,970**
At 28 September 2019	3,305	9	60	3,374
Leased assets				
Carrying value at 3 October 2020	**—**	**581**	**36**	**617**
Carrying value 28 September 2019	—	—	65	65

Land and buildings include an investment property relating to the Meadowhall Road site, which is leased to other Group companies. The Meadowhall Road site is recorded at cost less depreciation, which the Directors are satisfied is comparable with market value.

8. Debtors

	2020 £'000	2019 £'000
Amounts: falling due within one year		
Trade debtors (net of doubtful debt provision)	—	9
Prepayments and accrued income	504	214
Other debtors	455	250
Amounts owed by Group companies	—	367
Corporation tax	—	95
Deferred tax (see Note 13)	94	62
	1,053	997

9. Creditors

	2020 £'000	2019 £'000
Amounts: falling due within one year		
Trade creditors	118	174
Other tax and social security	149	40
Accruals and deferred income	218	225
Amounts owed to Group companies	358	—
Other payables	112	28
	955	467
Revolving credit facility	—	10,800

	2020 £'000	2019 £'000
Amounts: falling due after one year		
Revolving credit facility	6,773	—

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 Lloyds Bank plc. At 3 October 2020 the amount thus guaranteed by the Company was £nil (2019: £nil).

10. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2020 £'000	2019 £'000
Current		
Asset finance lease liabilities	29	29
Right-of-use asset lease liabilities	142	—
	171	29
Non-current		
Asset finance lease liabilities	2	31
Right-of-use asset lease liabilities	487	—
	489	31

The Company has leases for a non-operational factory premise, a number of motor vehicles and some IT equipment.

For right-of-use assets, with the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 7). Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security.

10. Lease liabilities continued

For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 3 October 2020 were as follows:

	Within one year £'000	Over one to five years £'000	Total £'000
3 October 2020			
Lease payments	**199**	**536**	**735**
Finance costs	**(28)**	**(47)**	**(75)**
Net present value	**171**	**489**	**660**

	Within one year £'000	Over one to five years £'000	Total £'000
28 September 2019			
Lease payments	39	31	70
Finance costs	(8)	—	(8)
Net present value	31	31	62

11. Taxation

	2020 £'000	2019 £'000
Current tax		
Over provision in respect of prior years	**—**	(95)
	—	(95)
Deferred tax		
Origination and reversal of temporary differences	**(23)**	(15)
Over provision in respect of prior year	**1**	20
Change in deferred tax rate	**(10)**	—
Total taxation credit	**(32)**	(90)

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the period. Deferred tax is calculated at 19% (2019: 17%).

12. Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in Note 27 to the consolidated financial statements.

13. Deferred tax

	2020 £'000	2019 £'000
Opening balance for the period	**62**	67
Credit/(charge) for the period	**32**	(5)
Closing balance for the period	**94**	62

The deferred tax asset is made up as follows:

	2020 £'000	2019 £'000
Cost of share options	**58**	46
Accelerated capital allowance	**11**	15
Unused losses	**22**	—
Other temporary differences	**3**	1
	94	62

14. Reserves

	Share premium account 2020 £'000	Profit and loss account 2020 £'000	Share premium account 2019 £'000	Profit and loss account 2019 £'000
At beginning of period	**26,172**	**6,657**	26,172	16,933
Loss for the financial period	**—**	**(27,097)**	—	(10,333)
Share option cost	**—**	**35**	—	35
At end of period	**26,172**	**(20,405)**	26,172	6,657

15. 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.

For details on other related party transactions, see Note 33 in the consolidated financial statements.

16. Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

17. Subsequent events

The Company's existing RCF of £12 million at the year end was put in place in December 2019 for two years through to December 2021 (see Note 22 of the consolidated financial statements). In December 2020 the Company extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term. In addition, the Company undertook a fundraising through the issue on 18 December 2020 of 12,471,998 new ordinary shares which raised cash proceeds, net of expenses, of approximately £7 million.

Pressure Technologies plc, the Company, has £26.2 million of share premium as at year end. On 17 December 2020, the Company received shareholder approval to convert the share premium, under a capital reduction, into a distributable reserve. This process requires Court Approval. An application to the Courts has been made but the timing of the process is currently uncertain.

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