Pressure Technologies

Annual Report 2017

Specialist engineering • Engineering excellence • Organic growth • Future growth • Acquisition of Martract • Unique solutions • Integrity management services • World leader • 120 years of engineering heritage • Highly skilled craftsmen • Creativity and ingenuity • Close collaboration with customers • Creation of PMC brand • Collaboration • Investment in people • Investment in IT • Investment in systems • Substantial potential • New customers • New markets • Product development • Trusted suppliers • Niche specialism • Niche markets • Precision Machined Components • Cylinders • Engineered Products • Alternative Energy • Oil and gas • Industrial gases • Defence • Design and development • Safety critical

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

Visit us online at www.pressuretechnologies.com

Our vision

See IFC

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.

What we do

See p04

We work in close collaboration with our customers who require unique solutions when developing and manufacturing highly engineered products for use in harsh operating environments. We capitalise 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 our competitors and we are committed to continuously investing in our people and technologies to keep us at the forefront of engineering excellence.

Our values

- To be honest and open in the way we do business and maintain high standards of integrity.
- To comply with both the spirit and the letter of the law.
- To operate in a safe and responsible way.

The three point strategy

See p05

Our goal is to build a highly profitable group of companies by:

- Consolidating and building on the businesses.
- Identifying and developing profitable, niche opportunities in growth sectors.
- Identifying and pursuing profitable acquisition opportunities.

The world we serve

See p08

We serve four core market sectors

- Oil and gas
- Defence
- Industrial gases
- Alternative energy

Structure

See IFC

We have four Divisions within the Group, three are Manufacturing, serving oil and gas, defence and industrial gases and one is Contracting, serving alternative energy. All of our businesses are world class, with niche specialisms and technical capability, supported through ongoing investment programmes in skills, technology and capital equipment.

Where we operate

See IFC

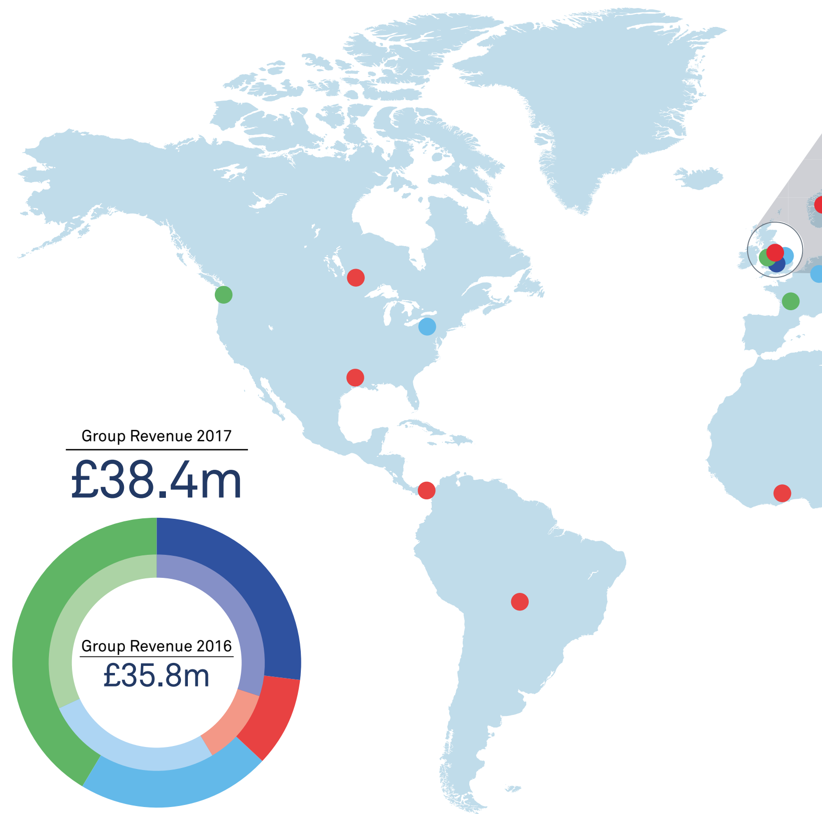
Our manufacturing is UK based with our businesses serving a global blue chip customer base from operations around the globe, either wholly owned offices or through agents and distributors covering Europe, America, Asia, Africa and Australasia.

The World of Pressure Technologies

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

Our businesses provide niche and highly specialised products and services, which set us apart from other companies. We do this by employing engineering and technical expertise and serving strong markets that we understand.

Our vision is 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.



Contracting

Alternative Energy

With an unrivalled installed base of over 100 upgraders world-wide, Greenlane is one of the world's largest suppliers of biogas upgrading equipment. Founded on its leading water-wash technology, Greenlane is now the only company to offer the three main biogas upgrading technologies to a global market.

Waste from agriculture, landfill, wastewater treatment plants and food and drink production can be used to produce biomethane, or Renewable Natural Gas ("RNG") as it is also termed, for injection into the gas grid network or as a vehicle fuel.

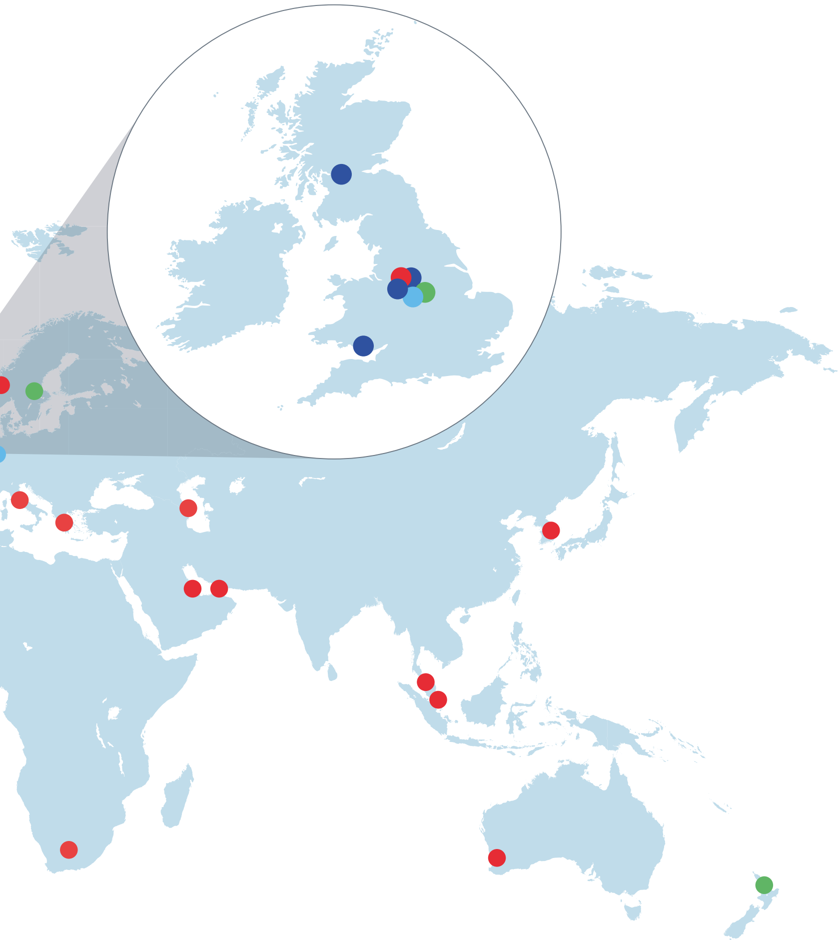
The market for biogas upgrading is driven at a global governmental level by the commitment to reduce greenhouse gases and meet renewable energy targets, while drivers at a local governmental level are to reduce waste and improve air quality.

Manufacturing

Precision Machined Components

This Division comprises, Roota Engineering, Quadscot Precision Engineering, Al-Met and Martract. These businesses 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.

They specialise in supplying key components, made to exacting standards and tolerances, that are destined for extreme or hostile environments such as deepwater and subsea oil exploration and wear parts for oil production, setting themselves apart from competitors with world-class lead times. The addition of Martract to the Division in December 2016 has brought exposure to new industrial markets and services such as refurbishment.



Cylinders

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

CSC provides high pressure gas containment solutions over several markets and applications, from ultra large air pressure vessel systems used for motion compensation on floating oil rigs, high pressure 'banana' shaped cylinders on defence submarines, to oxygen cylinders in fighter jets as well as for the bulk storage of gases.

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

Engineered Products

Hydratron is a manufacturer and global supplier of high pressure testing equipment. Its customers are high pressure original equipment manufacturers ("OEMs"), suppliers and service providers. The business has a strong global reputation for high quality products and service excellence.

High pressure testing equipment is required wherever there is a need to test pressure for safety critical applications. Hydratron manufactures standard pumps as well as bespoke systems designed to exact customer specifications. The majority of their products go into the oil and gas market but the business also supplies into the petrochemical, aerospace, marine, automotive and power generation markets either directly to the end customer or through its distributor network, including covers North and South America, Norway, Italy, South and West Africa, the Middle East, South East Asia and Australia.

Highlights

Revenue

£38.4m

(2016: £35.8m)

Adjusted operating profit*

£1.1m

(2016: £(0.4)m)

Reported loss before tax

£(1.9)m

(2016: £(0.4)m)

Adjusted earnings per share

6.3p

(2016: (2.6)p**)

Reported basic loss per share

(7.9)p

(2016: earnings 4.4p**)

Operational cash inflow before working capital movement***

£2.5m

(2016: £0.5m)

Closing net debt

£11.1m

(2016: £6.6m)

Post year-end fundraising of net

£4.8m

Net

- Precision Machined Components Division (PMC) order intake more consistent with stronger second half
- Manufacturing gross margins increased to 35% (2016: 31%)
- Acquisition of Martract in December 2016
- Creation of PMC brand to give improved customer offer
- Alternative Energy restructured from a regional to a functional model and broke even (2016: loss £(1.1) million)
- Full review of management capability resulting in additional senior management appointments
- Investment in IT systems to improve communication and promote collaboration

* Before M&A costs, amortisation and exceptional charges and credits.
** From continuing operations.
*** Before payment of redundancy and reorganisation costs.

Pressure Technologies plc
Annual Report 2017

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

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Visit us online at www.pressuretechnologies.com

Chairman's Statement

Alan Wilson
Chairman

"The Board is optimistic that the Group is well prepared to capitalise on opportunities as they arise."

Long term growth through sustainable and responsible business

We pride ourselves on our ethical principles and commitment to:

- Environmental
- Social
- Governance

⊕ To read more on our business practice see **page 16**

Overview

I look back on this past year for the Group as one of preparing for future growth across all our Divisions, whilst at the same time maintaining stability against a backdrop of very challenging oil and gas market conditions.

During the past three years, it is estimated that global oil and gas Capex and Opex spending has reduced by some 30%. Reports indicate that Capex and exploration spending will have reduced by $1 trillion from 2015 through 2020. The net impact on job losses worldwide is estimated at 440,000, with 124,000 in the UK alone.

Within the Group, we have reacted to these unprecedented market conditions by reducing our headcount by 40%, but we have been careful to protect our knowledge and skills base, to be well positioned to respond to increased demand when it arrives. We have also invested in further development of our people and added key leadership and sales resources across the Group. Given the tough market conditions we've traded through for the past three years, I'd like to express my respect and admiration for the way our people have steadfastly risen to the various challenges we've encountered.

In addition to developing and adding to our skills base, we have invested in systems and process that make us more efficient and productive and have restructured the Alternative Energy Division from a regional to a functional model, which will improve efficiency and the ways we win and execute projects.

It is heartening to report that, towards year-end, we were approached by institutional investors who expressed a desire to make further investment in the Group. I see this as a sign that many market observers anticipate that the oil and gas market is about to rebound and they see Pressure Technologies as an enterprise that has been resilient in the downturn and is primed for growth. This investment gives us more fire power to react to opportunities as they arise.

Whilst the oil and gas market has been in the doldrums, we have of course been busy pursuing other industrial sectors. The biogas market continues to offer substantial potential, but has been frustratingly slow to deliver due to a whole range of factors, but we remain committed to retaining and building on our position as the market leader within our sphere. CSC's market leadership in large high-pressure cylinders maintains our enviable position as the company of choice for many of the world's navies and air forces.

In December 2016, we acquired Martract, a business that specialises in the grinding and lapping of ball valves. Martract is a company that we monitored for some time as a potential add-on to our PMC companies. It offered us potential for vertical integration by extending our core skill sets, along with pull-through opportunities into new industrial sectors, as 60% of Martract sales come from outside the oil and gas market.

Results

I am pleased to report that Group revenue increased to £38.4 million, a 7.5% increase on last year, whilst adjusted operating profits (operating profit before M&A costs, amortisation and exceptional charges and credits) were £1.1 million, a substantial improvement from a loss of £0.4 million recorded last year. The increase in revenue was primarily driven by a 40% increase in sales seen in Alternative Energy on the back of a strong opening order book. The improvement in adjusted operating profit was primarily driven by Alternative Energy, which broke even for the first time since the acquisition of Greenlane and the contribution from Precision Machined Components, including nine months of Martract.

Operating cash inflow before movements in working capital and reorganisation and redundancy costs was £2.5 million, significantly better than £0.5 million recorded last year. Net debt was £11.1 million, an increase of £4.5 million versus last year, primarily due to the acquisition of Martract and net investment in working capital. Post year-end the Group completed a share placing, raising net proceeds of £4.8 million.

Despite the fact that this year's financial results are a clear improvement over last year, the Board has resolved that no dividend shall be paid to shareholders this year, as cash reserves will be key to funding profitable growth in the coming months.

Outlook

The level of optimism within the oil and gas market is increasing by the month. Major oil companies reported healthy profits for quarter-three 2017, which is a sure sign that their attentions will start to move towards investment and growth. Recent assurances by OPEC that production cuts will be sustained until supply-demand has been rebalanced is encouraging. Even the top three US-based shale producers have issued a cautionary note on the speed and level of investment that is prudent in order to sustain a profitable oil price.

Renewable energy is becoming more topical amongst the public at large and governments are making bold statements about moving away from carbon-based fuel sources. Whether some of these rather ambitious political statements are achievable remains to be seen, but the general increase in awareness of what renewable energy has to offer is helpful. The potential market for biogas is enormous and we remain confident it will materialise and offer us substantial opportunities for increasing sales and profits.

Given that we are already working on the design of cylinders for the Dreadnought-class of nuclear-powered submarines for the UK Ministry of Defence, which offers us a visible order pipeline for some years ahead, it is pleasing to conclude that all three of our major industrial markets look promising for the foreseeable future.

Given a more positive outlook on our core markets and the recent fundraise that has bolstered our financial resources, supported by steps we've taken to ready our businesses for growth, the Board is optimistic that the Group is well prepared to capitalise on opportunities as they arise.

Alan Wilson
Chairman
11 December 2017

Our Board structure

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

⊕ To read more about our Board structure see **page 29**

How We Run Our Business

What we do

We work in close collaboration with our customers who require unique solutions when developing and manufacturing highly engineered products for use in harsh operating environments. We capitalise 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 our competitors and we are committed to continuously investing in our people and technologies to keep us at the forefront of engineering excellence.

Defence

Our Cylinders Division is the world leader in naval and aviation defence markets for high-pressure cylinders and integrity management services.

Oil and gas

Our Manufacturing Divisions design and manufacture bespoke components and products for customers who often face unique challenges in harsh operating environments.

Renewable energy

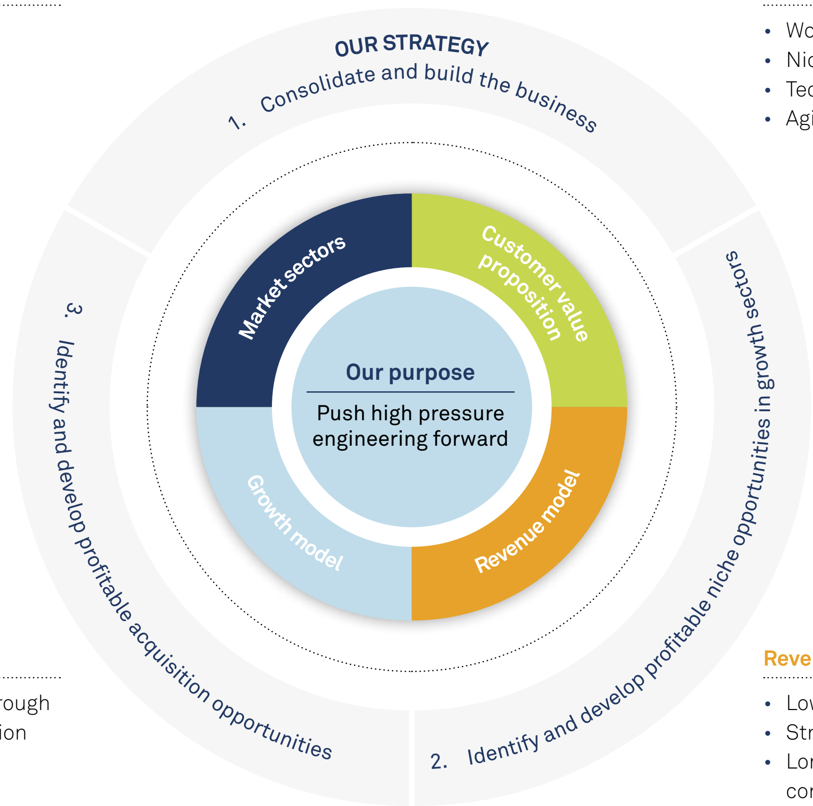
Greenlane Biogas has installed the largest population of biogas upgraders in the world. World leader in water-wash technology and the only company to also offer membrane and PSA technologies.

Market sectors

- Oil and gas
- Defence
- Renewable energy
- Industrial gases

Customer value proposition

- World class
- Niche specialism
- Technical capability
- Agility



Growth model

- Organic development through investment and acquisition
- Synergy
- Value chain
- Market and technical development

Revenue model

- Low volume/high margin
- Strategic partnerships
- Long-term relationships/contracts
- Services and aftercare

Shareholders

We deliver shareholder value by growing our businesses in profitable niche markets. We have demonstrated strong resilience in adverse market conditions.

Employees

We strive to create a working environment where our employees can fulfil their potential. By doing so, we get the best from our people and they enjoy working with us. Our aim is to be the employer of choice within our industry.

Customers

Our customers are pioneers in what they do and we work in close collaboration with them. These strong relationships are built on the honest and open way in which we do business and our culture of delivering excellence.

How we do it

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

Our strategy

1 Consolidate and build the business

How we delivered in 2017

Precision Machined Components is now being marketed as one company, four engineering businesses. New Divisional MD, Business Development and Technical Directors have been appointed.

Alternative Energy restructured from a regional to a functional model, centred in Vancouver, Canada with sales and engineering support regionally based. Headcount reduced by 20%, whilst at the same time, sales resources have been strengthened. New President for the Division joined in November 2017.

Related risk factors

1 Global economic conditions

3 Competitors and commercial relationships

4 Funding

5 Availability of key resources

6 Technology and innovation

2 Identify and develop profitable niche opportunities in growth sectors

How we delivered in 2017

Precision Machined Components secured eight new customers following the appointment of the business development Director.

Engineered Products appointed seven new distributors.

Cylinders appointed a naval products expert as Director of US technical sales in its US office as it continues to develop its US operation.

Alternative Energy developed and launched the world's largest biogas upgrader, the Kauri and second generation of its entry level upgrader, the Kanuka. Further development of the Division's technology agnostic position.

Related risk factors

1 Global economic conditions

2 Governmental policy and legislation

4 Funding

5 Availability of key resources

6 Technology and innovation

3 Identify and develop profitable acquisition opportunities

How we delivered in 2017

Martract Limited acquired in December 2016 giving vertical integration and customer and market expansion for Precision Machined Components. Martact is a highly specialised engineering business with a significant technical capability and intellectual property. The majority of Martract's revenue comes from a number of wide-reaching industrial sectors including nuclear and presents an opportunity to diversify from oil and gas.

Related risk factors

1 Global economic conditions

4 Funding

5 Availability of key resources

To read more about our related risks and uncertainties see **page 24**

Why Invest?


Potential
1
2
Heritage
3
Trusted
4
Skilled
5
Leadership
6
Entrepreneurship
Our investment case

1 Potential

See p10

- We have an enviable track record of delivering growth and profits in strong markets, yet we have proven resilient in the face of adverse market conditions. After re-aligning the businesses exposed to the downturn in the oil and gas market, we turned our focus to putting in the foundations for the market upturn and have been supported by our largest investors.
- Investment in sales and productivity with the appointment of a Sales Director and a Technical Director, as well as a Divisional MD in PMC.
- We have appointed an experienced Sales Director-Europe for the Greenlane Biogas business and a new President for the Division based in Vancouver.
- Post year end fundraising of £5 million (gross).

2 Heritage

See p04

- We have an unrivalled heritage, with over 120 years of experience and knowledge making us clear leaders in our markets.
- Chesterfield Special Cylinders is the world's leading supplier of cylinders and inspection services into the naval and aviation markets.
- Our Precision Machined Components and Engineered Products businesses are trusted suppliers to the world's leading oil and gas innovators.
- Greenlane Biogas is the pioneer in biogas upgrading; a world leader with the largest installed base of upgraders, having supplied the world's two largest upgrading projects and recently developed the world's largest ever upgrader, the Kauri.

3 Trusted

See p12

Our businesses supply products, components, systems and service for demanding applications, where failure is not an option, due to the potential threat to life, the environment or investment. Our customers require the security of knowing their products are of the highest possible standard, carefully designed to meet their exacting requirements. This trusting relationship creates significant barriers to entry into the sections of the market we serve and supports our global reputation for excellence.

4 Skilled

See p16

- We strive to attract the best employees and have a culture of not just retaining talent but investing in and developing our people to be the best that they can be.
- Low staff turnover.
- NVQ4 and Higher qualifications.
- Higher education funded.

5 Leadership

See p17

Ethical principles – at the heart of the business ethos.

We have a strong culture, that is driven from the top. We are quick to recognise opportunities and threats and we always rise to the various challenges that come our way. We have systems that ensure high levels of awareness of what's happening within our markets and businesses, so that we can inspire a dynamic and entrepreneurial culture throughout.

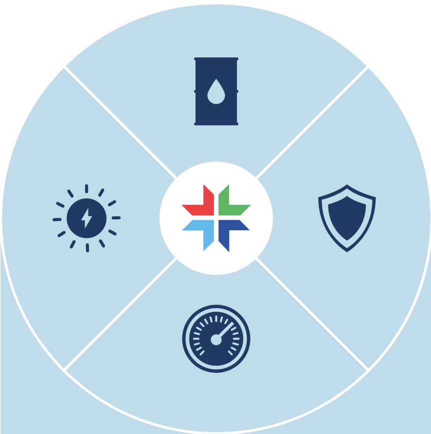
Our investment in people ensures that we are developing our leaders of the future.

6 Entrepreneurship

See p11

Our entrepreneurial culture is supported by strong core values and ethics (see page 16) and a structure that enables rapid decision making at appropriate levels of the business. Our businesses work in close collaboration with pioneering companies who require our depth of knowledge, ingenuity and creative thinking to solve their most technically demanding problems.

Our Marketplace

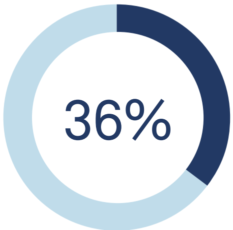


The markets we serve

As a Group, our companies serve four main markets.

Oil and gas

2017 % of Group Revenue



Division

Manufacturing

Market served by

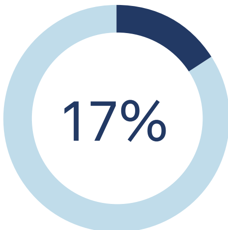
Cylinders
Engineered Products
Precision Machined Components

2017 Revenue

£13.8m
(2016: £15.5m)

Defence

2017 % of Group Revenue



Division

Manufacturing

Market served by

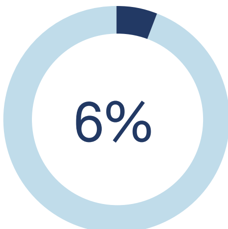
Cylinders
Engineered Products

2017 Revenue

£6.5m
(2016: £6.5m)

Industrial gases

2017 % of Group Revenue



Division

Manufacturing

Market served by

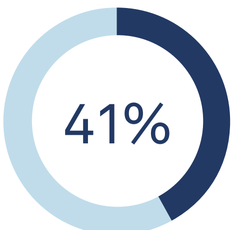
Cylinders
Engineered Products

2017 Revenue

£2.3m
(2016: £2.4m)

Renewable energy

2017 % of Group Revenue



Division

Contracting

Market served by

Greenlane Biogas

2017 Revenue

£15.8m
(2016: £11.4m)

Oil and gas
Defence
Industrial gases
Renewable energy

The market environment	Market potential
The contribution to Group revenue from oil and gas fell to an historic low in the year, as the well-documented downturn continued. However, during the second-half, some stability returned to the market as OPEC oil production cuts and consequent reduction in oil stocks began to have a positive effect on the oil price. More recently, oil majors reported a return to profit in their third-quarter results.	Oil and gas remains a key target market for growth across the Manufacturing Divisions, especially our precision machining businesses. We are now marketing the businesses within the Precision Machining Components Division under one brand, creating an opportunity to expand our customer base and the products we supply. Having four companies within the PMC Division enhances our competitive advantage by reducing the supply chain risk for customers as we are able to supply from multiple locations. Substantial rationalisation of the global supply chain has occurred during the market downturn, from which we have emerged strong and well positioned to take advantage of the upturn when it transpires.
Defence continues to be a key contributor to Group revenues. Although defence budgets are under pressure, submarine build programmes have continued apace. Chesterfield Special Cylinders ("CSC") has specialist capability in the manufacture of high-pressure cylinders for submarines, surface warships and military aircraft. The market is less sensitive to competition due to our unrivalled knowledge, hard-won approvals, cutting-edge engineering design and highly skilled manufacturing techniques that are required to deliver complex products and integrity services. CSC is the principal supplier of high-pressure cylinders to NATO and NATO-friendly nations, with the exception of the USA. Germany is now our largest market.	Work done over the last decade to expand our customer base for naval applications has stabilised our defence revenue and there is good visibility on potential projects. There are significant medium-term opportunities, the largest being the UK Successor Programme, Dreadnought, which replaces the Vanguard class of submarines, and we are already working with defence OEMs on initial prototyping. This programme has also provided the opportunity to promote CSC's capabilities in the USA, where there is a substantial market.
The industrial gases market has played an important role for CSC for over 100 years. The Group supplies a diverse range of products and inspection services, ranging from bulk gas storage for large industrial applications, to the reconditioning and retest of cylinders and road trailers. Trailers for the road transportation of bulk gases are also an important part of this market. The Group manufactures a range of high-pressure gas trailers, supported by a one-stop-shop reconditioning and retest service.	The growth of in-situ testing continues to be driven by a European Standard, developed at CSC, for the inspection of hard to reach, or impossible to move gas cylinders. CSC is currently the only company capable of delivering this strict new testing service. CSC mainly serves the UK and European markets, but there are opportunities in other geographies such as the US where we are building a presence. On a macro level, there is growing potential for gas storage, which is being driven by the growth in alternative energy, particularly the need for power-to-gas storage.
The global biogas upgrading market is growing at a CAGR of 28.7% pa, and is anticipated to reach $1.97 billion by 2022. It is supported globally by government incentives both at national and regional levels. Organic waste is an increasing global problem, primarily caused by population growth; particularly middle-classes in developing countries where consumption increases create more waste. Using our technology, biomethane, or Renewable Natural Gas, can be created from raw biogas produced from organic waste to give a renewable energy that is green and profitable.	Significant opportunities exist in Europe, for example, Germany has 8,000 biogas to power, CHP installations many of which are forecast to convert to biomethane production. Italy has 1,000 natural gas refuelling stations with 800,000 gas fuelled vehicles and new legislation is expected which favours biomethane as a transport fuel. The UK is set for further expansion of biomethane production when the amended Renewable Heat Incentive legislation is passed in early 2018. While much comment has been made about President Trump's move to withdraw from the Paris Climate Agreement, many of the market drivers in the US are at a State rather than Federal level. The US has more than 2,200 sites producing biogas and a recent industry assessment estimates nearly 14,000 sites are ripe for development. If 10% of these opted to upgrade to biogas, it represents a potential $2 billion market for Greenlane Biogas.

Q&A with the new members of the team at Precision Machined Components

Precision Machined Components is now the largest Division in the Group by number of employees and adjusted profit. It comprises Al-Met, Roota Engineering, Quadscot Precision Engineers and Martract, which was acquired in December 2016.

As a consequence of the sustained downturn in the oil and gas market customers have become increasingly risk averse and the financial security of the Pressure Technologies Group has become a key strength for the Division. In addition customers are rationalising their supplier lists and there is clear evidence of major customers placing orders on the back of the Group's financial stability and the Division's ability to supply out of multiple locations, minimising supply chain risk.

To capitalise on this growing trend we have strengthened the Divisional team. As well as a new Divisional MD, who will start with us early in 2018, a Business Development Director has been appointed to expand the customer base within oil and gas and find opportunities in new target markets.

A Technical Director with a commercial focus has also been appointed to maximise productivity and efficiency, plan for future capacity, identify opportunities to expand the range of products we offer to existing customers and inform the investment decisions to support the growth of this Division.

The aim of all these appointments is to sustainably grow the Division.

Phil Simpson
Technical Director

Shaun Newby
Business Development Director

We talked to the Division's newest recruits, Shaun Newby, Business Development Director, and Phil Simpson, Technical Director, about how they see the future of PMC

Q How long you have been with PMC?

A **Shaun:** I have been with PMC since March 2017 but I have been working in precision engineering in the subsea and oil gas markets for over 14 years. I began as an apprentice engineer before moving into project management and then sales.

Phil: I have been with the Division for two years, originally working for Roota but then as Divisional Technical Director. I have been working in precision engineering for 20 years and like Shaun, and many of the senior management team around the Group, I began as an apprentice engineer.

Q Can you tell me what your roles are here at PMC?

A **Shaun:** There is plenty of work for niche businesses like ours. My job is threefold, to look at expanding the scope of the work we do with our existing customers, to bring new customers into the Division and to make introductions into new markets where our skills are relevant.

Phil: My role is to inform the Division's investment decisions ensuring we are using the best production techniques, making the most of the latest innovations available and to plan our future capacity. Investment is key to capitalising on the opportunities that are being presented by the new customers that Shaun is introducing to the Division.

Q The downturn in the oil and gas sector has been well documented, how do you see the market now?

A **Shaun:** While I think the days of three digit oil prices are over, the market only needs a consistent $60 per barrel to see new orders come in. We have been focusing our sales effort on operational expenditure but we are now seeing more capital expenditure projects as the oil price recovers and balance returns.

Phil: And $60 is a good price, beyond that there is always the threat of increased production from US shale, which could upset the balance. I think the market is happy at this price.

Q What excites you about the potential for this Division?

A **Shaun:** Everything. The downturn has changed customer behaviour, they want a wider offering from their suppliers, which plays to our strengths. We have four engineering businesses within one Division. This means our customers only have to deal with one company but they get four highly skilled ones. There is substantial potential for growth just within our core oil and gas market as customers, both existing and new, consolidate their vendor lists.

Phil: There are also a number of opportunities, again just within oil and gas, to expand our product lines, which will create significant potential for the Division. Being part of a larger group means we can make the investment needed to do this.

Q What sectors are a good or natural fit for PMC?

A **Shaun:** Nuclear. There are currently 15 nuclear plants in decommissioning in the UK and our engineering skills and experience of working with exotic alloys are a natural fit. Martract already supplies into the nuclear industry, Al-Met has Fit for Nuclear status and the other businesses in the Division are working towards it. There are also opportunities for us for power station commissioning and our businesses are geographically well placed to serve this market.

Phil: Renewable energy. At the development stage this market is well supplied but there is a significant opportunity for the aftermarket with spares and parts. Quadscot in particular is well situated to serve this market.

Business Review

John Hayward
CEO

"The reorganisation in recent years means that there are significant operational gearing gains to be made as volumes increase. The recent share issue improves the Group's ability to support large-scale organic growth, and with no immediate major capital expenditure required the Group is in good shape."

The Group's core technical skills are highly valued by our customers, many of whom are pioneers in what they do. They choose to work with us because of our ability to transform their innovative ideas into high-quality, safety-critical products where the opportunity cost of failure is often orders of magnitude higher than the cost of the product. This creates strong relationships built on the honest and open way in which we do business and our culture of delivering excellence.

We have an unrivalled heritage, with over 120 years of experience and knowledge making us clear leaders in our markets. Chesterfield Special Cylinders is the world's leading supplier of cylinders and inspection services into the naval and military aerospace markets. Our Precision Machined Components and Engineered Products businesses are trusted suppliers to the world's leading oil and gas innovators. Greenlane Biogas is a pioneer in biogas upgrading, a world leader with the largest installed base of upgraders, having supplied the world's two largest upgrading projects and recently developed the world's largest ever upgrader, the Kauri.

The year witnessed further significant changes in the Group. The impact of major reorganisation in our three manufacturing Divisions: Precision Machined Components, Engineered Products and Cylinders undertaken in prior years began to show material bottom-line impact particularly in PMC and Cylinders. Further progress was made in the Alternative Energy Division, which broke-even, whilst at the same time undergoing a radical restructuring.

The key points for the year are:

Manufacturing Divisions

Precision Machined Components Division

PMC comprises Al-Met, Roota Engineering, Quadscot Precision Engineers and Martract – which was acquired in December 2016. Al-Met produces wear resistant components in a range of high alloy steels and tungsten carbide for using high-pressure control valves, designed to regulate flow volumes in extremely demanding applications in the subsea and surface oil and gas industries. Roota and Quadscot make a wide range of components for oil and gas pressure systems and down-hole tools, with Roota generally focusing on larger, longer product and Quadscot on smaller components, manufactured in a range of high alloy materials. Martract specialises in grinding and lapping ball and seat assemblies and gate valves, which is highly complementary to the Division, enabling it to offer a product that is unmatched by competitors.

Significant progress has been made in the Division since the second-half of the 2016 financial year, which marked the low point for order intake from the core oil and gas market. In 2017, first and second-half sales were 1.7% and 10.4% higher than the second-half of 2016 respectively.

Increasing order volumes have given more consistent order intake patterns for Roota and Al-Met. This has resulted in improvements in gross margins, as the benefits of latent capacity created by investment in new technology and better productivity have been realised. Quadscot remained affected by reduced customer spending throughout the majority of the year. A combination of increased activity from core and new customers lifted its final-quarter sales, which has continued into the new financial year.

The appointment of a Business Development Director in March has resulted in winning work from new customers, a trend that is expected to continue. To date, the Division has secured orders from eight new customers, with a focus on technical equipment manufacturers. The purchase of Martract in December 2016 is giving further opportunities to secure new customers, since 60% of their customers are outside the oil and gas industry. As a result, opportunities exist to cross-sell the Division's capabilities into other industries, such as chemical processing and nuclear decommissioning.

The strategy for PMC is to grow revenue and profits by building on the existing businesses through collaboration, cross-selling, product and key-account expansion, as well as the development of new markets, that offer growth and strengthen the Division's resilience. Any acquisitions will be complementary to this positioning. In furtherance of this strategy, a rebranding exercise has been completed to give a common "feel" to logos and websites. This involved the creation of a PMC brand, which is important when dealing with major customers, as it highlights the strength in depth of the Division. Promoting the brand highlights our ability to minimise supply chain risk, as we are able to move work between sites. At a time when our customers are also looking to reduce the number of companies on their Approved Vendor Lists ("AVL"), contracting with the PMC Division gives them four vendors for one entry in their AVL.

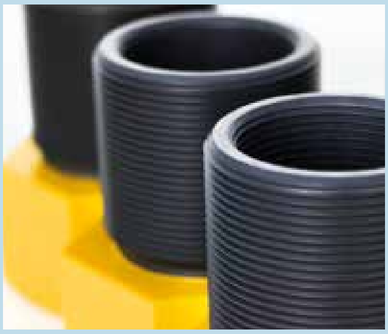
Near-term prospects for PMC remain positive, with our core customers expressing a more upbeat outlook for 2018 and significant potential for growth from new customers and markets. The Division is recruiting additional skilled engineers and operators and investing in new equipment to benefit profitably from increasing sales revenue.

Engineered Products Division

EP manufactures a range of Hydratron-branded air-operated, high-pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs, mainly for use in the oil and gas sector.

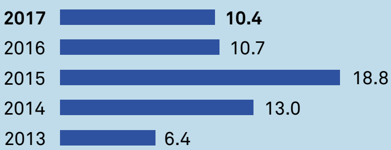
The Division continued to be impacted by reduced capital expenditure and discretionary spend from its core oil and gas market, so sales were 7% lower than 2016. The second-half of the financial year saw some patchy improvement in order intake and the engineered systems sales team was expanded to meet this increased level of activity. Action taken in 2016 to reduce costs and improve productivity contained the losses in 2017.

Considerable effort was focused on expanding the number and quality of distributors, with seven new distributors appointed, which should yield increasing revenues as 2018 progresses. The first quarter of this new financial year has seen a continuation of the improved ordering pattern, with a more profitable mix of projects but, as yet, there is no clear pattern of improvement in their core oil and gas market.

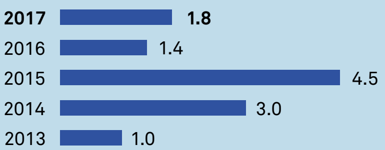


Precision Machined Components Division

Revenue £m

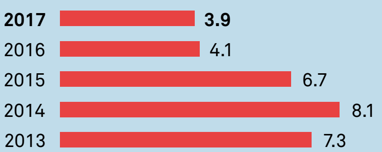


Adjusted operating profit* £m

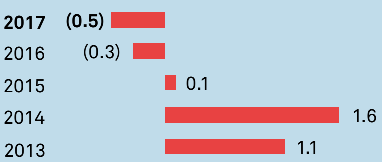


Engineered Products Division

Revenue £m



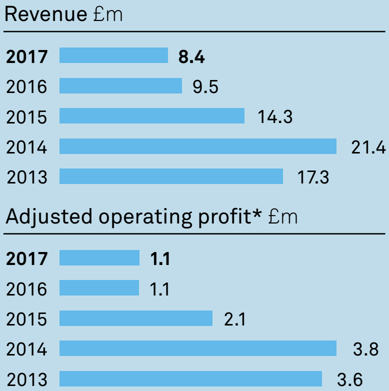
Adjusted operating (loss) / profit* £m

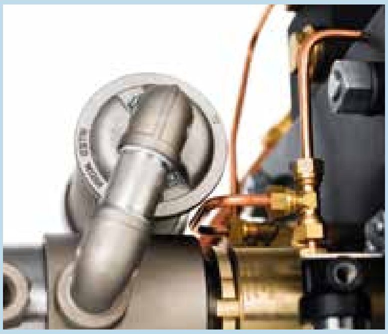


* Before M&A costs, amortisation and exceptional charges and credits.

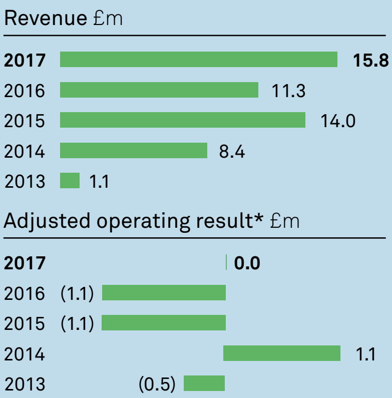
Business Review continued

Cylinders Division





Alternative Energy Division



* Before M&A costs, amortisation and exceptional charges and credits.

Cylinders Division

Chesterfield Special Cylinders ("CSC") supplies a range of high-pressure gas cylinder systems into the defence, oil and gas and industrial gases markets. Revenue for the year was lower by £1.1 million, as revenue from oil and gas reduced again. However, operating profit was maintained through a better mix of higher added value work in other markets.

The defence market is now the mainstay of the business, where the Division has over 80 years of experience in providing cylinders and services to the naval and military aerospace markets. This heritage in a highly demanding market, makes CSC the natural choice for cutting edge product development, as evidenced by the award of cylinder design for the Dreadnought class submarine, Trident's successor. Cylinders for the first boat-set will be delivered during 2018, along with further deliveries into overseas markets. Business Development efforts continue to focus on breaking into the substantial US defence market and the Pittsburgh sales team has recently been strengthened.

For CSC, the oil and gas market remains depressed. The largest volume of sales has traditionally come from Air Pressure Vessels (APVs) for motion compensation systems on drillships and semi-submersible drilling rigs for the deepwater subsea sector. Fewer than 50% of the available vessels are currently utilised in this market and no major build program is forecast. Revenue in 2017 was limited to small projects for floating cranes; that said, CSC was awarded a contract to supply APVs for delivery in 2018 for a new drillship, the only such order placed in the last three years.

Revenue in the industrial gases market has largely come from service work with an upturn in the volume of high-pressure gas trailer statutory re-test and refurbishment arising from the phasing of prior capital expenditure by the Gas Majors. This work is forecast to increase further in 2018 and, together with our integrity management offering into the defence and oil and gas markets, will help underpin continued profitability. It is worth noting that since 2014, higher margin service related revenue has grown by almost 45%.

Capital investment in 2017 was centred on the ultra large cylinder forge project which is now complete. Investment in 2018 is planned to improve CSC's small cylinder spinning capability, which will increase productivity and also the potential product range.

The outlook for 2018 is positive, underpinned by the Dreadnought work and further expansion of CSC's service offerings.

Alternative Energy Division

AE is a designer and supplier of equipment used to upgrade biogas produced by the anaerobic digestion of organic waste into high-quality methane, which is suitable either for injection into the gas grid, or used as vehicle fuel. It trades under the name of Greenlane, the long-established market leader in water-wash biogas upgrader equipment acquired by the Group at the beginning of financial year 2015.

Against a backdrop of a further radical reorganisation, the Division broke-even, on an adjusted basis, for the first time since the acquisition of Greenlane. During the first-half of the year, a full review of the management structure and effectiveness was conducted. A functional structure has been implemented with the Division now centred in Vancouver, Canada. Sales and engineering support are still regionally based with Vancouver covering the Americas and China; Sheffield in the UK will be responsible for Europe, Africa and Asia. As a result of the reorganisation, headcount has been reduced by 20%, whilst at the same time, sales resources have been strengthened and a new President for the Division joined in November 2017.

Product development remained a priority for the Division with a first order received for a Kauri upgrader, the world's largest single upgrader plant, which is currently being commissioned in the USA. A second generation, entry level, Kanuka upgrader has also been installed and commissioned in Finland. In addition to core water-wash technology, Greenlane is currently commissioning a biogas plant using pressure swing adsorption technology (PSA) in California. The Division also offers membrane technology for cleaning gas, which differentiates Greenlane as the only "technology agnostic" provider of biogas upgraders in the world.

The closing order book at year end was £5 million, compared to £14 million at the end of 2016. The significant pipeline of good quality sales opportunities proved frustratingly slow to convert to orders, partly due to the disruptive effect of the reorganisation, but in the main external factors were the root cause. In the UK, a proposed change to the Renewable Heat Incentive, which favoured biogas upgrading, was initially delayed by a drafting error in the legislation, then further delayed by the general election and is now expected at the end of the first quarter of calendar year 2018. In North and South America, several potential orders were delayed due to customer issues around project funding and environmental permits. Since year end, one contract has been secured in the UK and three projects are at final negotiation in the UK, USA and Brazil.

The sales pipeline has a value in excess of $200 million and the market in the USA is set for rapid expansion, a major reason for the centring of the Division in North America. To rapidly extend market reach, AE is in negotiation with a number of potential collaborators with allied technology, for example anaerobic digester manufacturers, to pool opportunities and present a "one stop shop" to potential customers. Pooling will also give the opportunity to bring third-party funding into projects where our current individual projects are too small to warrant investors' attention. At the same time, AE is looking to licence upgrading technology for markets that are either too small, or complicated for direct selling.

People

The Group has undergone substantial downsizing during the past three years in response to the downturn in the oil and gas market, resulting in a 40% reduction in headcount overall. We have, however, been careful to protect our knowledge and skill base and taken steps to prepare the Divisions for the inevitable market recovery. During the course of 2017, we have undertaken a thorough review of management competence, capability and bench strength throughout the Group. As a consequence of this review, a number of development programs have been implemented and additional management resource has been hired in the shape of a Head of HR at Group level and new Divisional Directors in AE and PMC.

As ever, we remain committed to training, education and continuous development. The apprentice levy will have no impact on the Group as we expect to fully recover this through our apprentice and management training programmes. We work in a high-technology environment where continuous improvement in our levels of training and education is essential if we are to maintain competitive advantage.

To improve communication and collaborative working across the Group, office systems are in the process of migration from local server based software to Google Suite, thereby allowing real time sharing and collaboration between individuals and businesses. This has been completed for Head Office and the Manufacturing Divisions and will be extended to Alternative Energy during 2018. Health and Safety management is now run on a Group-wide basis with regular meetings involving all Divisions and this model has been extended to include cyber security and information technology management in 2018.

All manufacturing businesses in the Group, with the exception of Martract, now have OH SAS 18001 accreditation for health and safety. Martract will gain this as a branch of Roota Engineering during 2018. In the Alternative Energy Division, Vancouver does not yet have accreditation and is targeted to achieve this by the end of 2018 as is Head Office.

Outlook

The outlook for Cylinders and Precision Machined Components is much stronger than it was a year ago. Defence work in Cylinders and more stable ordering patterns in PMC gives far greater visibility and confidence in forecasts. Engineered Products is still experiencing unpredictable ordering patterns but at a level that makes the business sustainable. Alternative Energy remains in a position of unfulfilled promise but the reorganisation and market dynamics give cause for optimism.

Across all its markets, the Group is well positioned with solid, long-term relationships with global blue chip customers and a growing pool of new customers, distributors and partners. Renewed confidence in the oil and gas market will eventually extend to growth in Cylinders and Engineered Products, as it is currently doing in Precision Machined Components.

The reorganisation in recent years means that there are significant operational gearing gains to be made as volumes increase. The recent share issue improves the Group's ability to support large scale organic growth, and with no immediate large-scale capital expenditure required the Group is in good shape.

John Hayward
Chief Executive Officer
11 December 2017

Sustainable and Responsible Business

Long term growth and profitability is enhanced when businesses behave in a sustainable and responsible manner, with respect for the environment and all their stakeholders, those who support the growth of the company as well as those who are critical to its success.

Our ethical principles have been in place since the formation of the Group and they underline the way we do business and inform our responsible business practices. Here we have used the FTSE Russell Environmental Social Governance ("ESG") Model as a base for showcasing how this works in practice.

Environment

Overview

As a Group we recognise that our activities have an impact on the environment and incidents are reported each year in this report as part of the Group's Key Performance Indicators. Managing this impact is an integral part of our responsible corporate governance and good management practice.
The Group has developed environmental policies that follow the principles of ISO14001, of which the main points are listed below.

- Overall responsibility for the implementation of these policies is the responsibility of the main Board and the senior management at each Group company.
- The Group will comply with both the letter and the spirit of relevant environmental regulations. Additionally, the Group will actively participate in industry and Governmental environmental consultative processes.
- The Group is committed to the continuous improvement of its environmental management system. Specifically the Group seeks to reduce waste and energy use and prevent pollution.
- As part of continuous improvement, it is the policy of the Group to establish measurable environmental objectives and communicate these to all employees. These documented objectives will be periodically reviewed as part of the management review process. The necessary personnel and financial resources will be provided to meet these objectives.
- Employees are given such information, training and equipment as is necessary to enable them to undertake their work with the minimum impact on the environment.

Social

Overview

Our stakeholders are our employees, our investors, our customers, our suppliers, our advisors and the communities in which we operate.

Employees

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

Equal opportunities

The Group is an equal opportunity employer. The Group is committed to being a successful, caring and welcoming place for all employees. We want to create a supportive and inclusive environment where our employees can reach their full potential, without prejudice and discrimination. We are committed to a culture where respect and understanding is fostered and the diversity of people's backgrounds and circumstances will be positively valued.

Whistleblowing

The Group operates a third party whistleblowing procedure, which falls under the remit of the Audit and Risk Committee (see page 41) to ensure that every single employee has a route to raise a concern without prejudice.

Health and Safety

The Group has a Health and Safety Committee which consists of the Group Health and Safety manager, the CEO, a Non-Executive Director, the head of Group HR, and senior managers and health and safety managers from across the Group. This committee meets formally four times per year with ad-hoc working meetings in between. Health and safety is reported at every Board meeting and continual monitoring processes are in place.

The Group Health and Safety manager coordinates with the individual health and safety managers from the Group's subsidiary businesses, with regular site meetings and visits to ensure consistent best practice is maintained across the Group. Relevant training is ongoing for all employees at all levels. All our manufacturing businesses and the UK and New Zealand subsidiaries of the Alternative Energy Division hold OH SAS 18001 accreditation. The Canadian subsidiary of the AE Division and Group Head Office are in the process of gaining accreditation.

Charity

We support a number of local charities as well as our employees who individually raise money for causes close to their heart. In addition we host an annual Cross Company Quiz for our Sheffield based businesses, which raises money for the Sheffield Children's Hospital.

Training

Training is at the very heart of our business fuelling the skills engine that turns us. From apprenticeships and industry qualifications to undergraduate and postgraduate degrees, the niche and highly specialised nature of our business relies on a highly skilled and motivated workforce, from the shop floor to the Boardroom and everyone in between.

Modern Slavery

The Group acknowledges its responsibilities in relation to tackling modern slavery and commits to complying with the provisions in the Modern Slavery Act 2015. The Group understands that this requires an ongoing review of both its internal practices in relation to its labour force and, additionally, its supply chains. We are currently conducting an internal review of our suppliers list and our position will be disclosed on the Group's website on or before March 2018. A review of the jurisdictions and markets in which we operate shows that we have a low risk of exposure to human rights issues.

Governance

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

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

Bribery and corruption policy

The Group has put in place policies and procedures to ensure compliance with the Bribery Act 2010. We require compliance with our Bribery and Corruption policy, from everyone connected with our business, and demand the highest ethical standards. Integrity and transparency are of utmost importance to us and we have a zero tolerance attitude towards corrupt activities of any kind, whether committed by Group employees or by third parties acting for or on behalf of the Group.

⊕ Governance is also covered on **pages 28 and 29**

Ethical principles

Pressure Technologies plc is proud of its reputation for being honest and fair in the way it does business. This reputation has been hard won over many years and would be easily lost if all employees do not hold to our ethical principles. These principles apply to the way we work with customers, suppliers, governments, employees, shareholders, competitors and our local communities and are summarised below:

To be honest and open in the way we do business and maintain high standards of integrity

- We will do business honestly. We will not over-promise and we will be realistic when we give a commitment to do something. Our business processes will be transparent and we will not seek to gain unfair advantage through misrepresentation and deceit. We will maintain high standards of integrity. Honesty, openness and integrity generate trust and trust is fundamental to the success of our business.
- We will honour our contractual commitments.
- We will not steal and we will respect the physical and intellectual property of others.
- We will not make or take bribes and we will ensure that we have robust systems in place across the Group to ensure employees and agents of the Group understand and comply with our legal obligations under the Bribery Act. We will not offer or accept gifts except for small, token items neither will we offer or accept excessive business entertaining.
- We will not take part in anti-competitive behaviour.

To comply with both the letter and the spirit of the law

- We are subject to many laws and regulations. We will observe these both to specific wording and the intended spirit of the law or regulation.

To operate in a safe and responsible way

- We will maintain strong health and safety systems to ensure that our employees, customers and the public are not in danger of injury from our operations or our products.
- We will comply with all environmental legislation and ensure that we minimise the impact of our operations on the environment.
- We will be good neighbours and ensure that our operations do not adversely impact the communities in which we are located.

Financial Review

Joanna Allen
CFO

"The Manufacturing Divisions are beginning to experience an uplift in activity: on a like-for-like basis, second-half oil and gas sector revenue was a further 3.4% up on the first-half, demonstrating that the second-half of 2016 was a clear low point."

Revenue	Adjusted operating profit*	Adjusted operating cash inflow**	Acquisition of Martract Ltd
£38.4m	£1.1m	£1.0m	£3.6m
(2016: £35.8m)	(2016: loss £(0.4)m)	(2016: £5.1m)	
Revenue per employee* **	**Return on revenue**	**Closing net debt**	**Post year-end fundraising**
£161k	2.9%	£11.1m	£4.8m
(2016: £126k)	(2016: (1.1)%)	(2016: £6.6m)	Net

* Excluding acquisition costs, amortisation on acquired businesses and exceptional charges and credits. Including nine months post-acquisition result of Martract.
** Before payment of reorganisation and redundancy costs.
*** Based on straight average number of employees.

I am pleased to present the results of what has been a very busy and progressive year for the Group. The Manufacturing Divisions are beginning to experience an uplift in activity: on a like-for-like basis, second-half oil and gas sector revenue was a further 3.4% up on the first-half, demonstrating that the second-half of 2016 was a clear low point. We have also seen profitability continue to improve. Like-for-like, the 3.7ppt year-on-year increase in gross margin percentage is a reflection of both the impact of actions taken by management in recent years, plus the volume and mix of work in the high margin niche sectors supplied by the Group.

Our acquisition of Martract was completed in December 2016 and in the nine months since acquisition the business has contributed £0.3 million of operating profit.

Alternative Energy has delivered the contracts in the opening order book posting £15.8 million total revenue in the year (2016: £11.3 million) of which £12.6 million was for biogas upgrader projects (2016: £8.9 million). Expected gross margin improvement has, however, yet to be seen due to cost overruns on certain European projects, and reported gross margin is slightly lower than prior year at 17.3% (2016: 17.4%).

Across the Group, we have continued to invest in new products and capital equipment for both production capability and IT systems. Some £0.3 million in plant and machinery has been invested in the Manufacturing Divisions, £0.6 million in new product development and a further £0.4 million in Group-wide IT.

In the short-term, the financial priorities continue to focus on the reduction in net debt with working capital management to the fore. While debtor days are generally acceptable in the Manufacturing Divisions, we have seen certain oil and gas customers routinely stretch payment beyond terms at quarter-ends. Good progress has however been made in the control and reduction of raw material and consumable stock, particularly in the EP Division. This, combined with the phasing of contract revenue, has resulted in a net investment in working capital in 2017 of £1.5 million (2016: net benefit £4.6 million).

The post year-end oversubscribed share placing, which resulted in net proceeds of £4.8 million, immediately reduced net debt and positions the Group well to capitalise on the clear momentum in market opportunity being experienced, particularly in the PMC Division.

Trading result

Manufacturing

- Revenue down 7.4% to £22.6 million (2016: £24.4 million)
- Gross profit margin 35.4% (2016: 31.0%)
- Adjusted operating profit* up 12.5% to £2.4 million (2016: £2.2 million)
- Return on revenue 10.7% (2016: 8.8%)
- Revenue per employee** up 13.1% to £124,000 (2016: £109,000)
- Adjusted operating cash inflow*** £2.7 million (2016: £5.0 million)
- Cash conversion 1.1:1 (2016: 2.4:1)
- Restructuring costs £0.1 million (2016: £0.8 million)

PMC and CSC are beginning to experience an uplift in activity, with increased confidence in the oil market providing PMC with a stabilised and increasing order-load, whilst strong defence contracts secured in CSC stretch into the medium-term. These two Divisions contributed £2.9m of operating profit in 2017, an increase of 18.4%. Return on revenue has increased by 3.4ppt to 15.5%, demonstrating the benefits of both the mix of work in CSC and the volume of activity in PMC, underpinned by cost reduction initiatives implemented in recent years.

Restructuring benefits in EP are still to be reflected in the bottom-line, as low oil and gas volumes continue to impact. Second-half revenue increased 23% over the first-half, with a 7.6ppt increase in return on revenue. Whilst encouraging, this was not enough to exceed their break-even point. The current low market volumes magnify the effects of the mix of work and, together with the impact of lower spares sales in the summer months, was a contributory factor in the second-half operating loss.

The Manufacturing Divisions' £2.4 million adjusted operating profit for the full-year was slightly ahead of the latest market expectation (£2.3 million).

Alternative Energy

- Revenue £15.8 million (2016: £11.3 million)
- Gross profit margin 17.3% (2016: 17.4%)
- Adjusted operating profit* at break-even (2016: loss £(1.1) million)
- Return on revenue 0.0% (2016: loss (9.4)%)
- Revenue per employee** up 40% to £353,000 (2016: £242,000)
- Adjusted operating cash outflow*** £(0.8) million (2016: inflow £0.9 million)
- Closing order book £5.0 million (2016: £14.2 million)
- Restructuring costs £0.4 million (2016: £0.8 million)

Revenue from the installation and commissioning of biogas upgraders in the year was delivered from the opening order book. No new biogas upgrader projects commenced in the year, although there was a scope increase on one project. Non-upgrader sales for aftermarket support and other products were £3.2 million.

Gross margins were adversely impacted in the second-half due to cost overruns on certain European projects, which negated the benefit of the 5.5ppt margin improvement in the first-half versus the second-half of 2016, resulting in a marginally reduced gross margin for the full year.

The Division began restructuring in March 2017, and this was largely complete by the fourth-quarter. The benefits of this have yet to come through to the operating profit and return on revenue, which in the second-half was adversely impacted by both the weighting of sales to the first-half and lower gross margins.

The result for the full-year was in-line with the latest market expectations.

Central costs

Unallocated central costs (before M&A, amortisation on acquired businesses and exceptional charges) were £1.4 million (2016: £1.5 million). The reduction continues to reflect the Group-wide focus on cost reduction, investment in IT systems and combining of roles.

In respect of the Group's various share option plans a share based payment cost of £0.1 million has been recognised in adjusted operating profit (2016: £0.3 million).

Exceptional items

Reorganisation and redundancy costs in the year were £0.7 million (2016: £0.7 million), which predominantly relate to the AE Division and Group.

M&A related exceptional items and amortisation costs were £2.0 million (2016: £1.1 million credit) and include the £0.6 million write-back of the deferred consideration of Martract Limited. Underlying amortisation charges were £2.4 million compared to £2.2 million in the prior year, the increase being solely due to the acquisition of Martract.

Taxation

The tax credit for the year was £0.8 million (2016: £1.0 million).

The loss before tax, effect of the change in tax rates in the year and adjustments in respect of prior years have all contributed to the tax credit in the 2017. The applicable current tax rate for the year is 19.5% (2016: 20%). The reduction in rate of tax and the utilisation of losses have resulted in a lower effective tax rate than the current rate of tax.

Corporation tax refunded in the year totalled £0.2 million (2016: £0.5 million), which relate to the UK and Canada.

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 arising from trading activities, was to movements in the value of the Euro and the US Dollar relative to Sterling. As Group companies both buy and sell in overseas currencies, particularly the Euro and the US Dollar, there is a degree of natural hedge already in place.

In the AE Division, currency exposure is actively managed at the outset of a project and where appropriate forward contracts taken out to cover the majority of the exposure. Exposure (both translational and transactional) to the movements in the USD versus the CAD and GBP are expected to increase as the focus of the AE Division turns to this market.

In 2017 the net loss recognised in adjusted operating profit in respect of realised and unrealised transactions in Euro, US Dollar, Canadian Dollar and New Zealand Dollar was immaterial (2016: net gain £0.7 million). In 2016, a loss of £0.5 million was recorded below adjusted operating profit in respect of the retranslation of the deferred consideration liability denominated in New Zealand Dollars.

As at 30 September 2017 there were no forward contracts in place (2016: none).

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

Acquisition of Martract

On 7 December 2016, the Group acquired 100% of the issued share capital of Martract Limited for an initial consideration less net cash acquired of £3.6 million, plus maximum contingent deferred consideration of £0.6 million.

Financial Review continued

Intangible assets acquired with the business comprise £0.9 million in relation to non-contractual customer relationships and £2.8 million in relation to the manufacturing intellectual property.

The contingent consideration was initially recorded at a fair value of £0.6 million, which had been estimated based on future earnings, with a discount rate of 3%, assuming that £0.6 million would become payable. Subsequently, the second-half performance and forecasts have been reviewed by the Directors and they consider it unlikely that the contingent deferred consideration will be paid and the provision has been released.

A fair value adjustment related to an Employment Related Securities liability was made as a result of the vendors' shareholder restructuring immediately prior to completion. This liability was funded by the vendors of Martract Limited and was settled in January 2017.

Financing, cash flow and leverage

Operating cash inflow before movements in working capital and reorganisation and redundancy costs was £2.0 million higher at £2.5 million (2016: £0.5 million). After a net investment in working capital of £1.5 million (2016: net reduction £4.6 million), cash generated from operations was £1.0 million (2016: £5.1 million). Our investment in working capital shows a significant increase during the year arising from the timing of large contract down payments, phasing of contract revenue and the adverse impact of certain major customers stretching payment terms at the end of 2017.

Cash flows from investment activities total £4.5 million and comprise predominantly the acquisition of Martract. No item of capital expenditure is individually significant in the year, so the spend reflects general ongoing investment. Where appropriate new machines are now acquired using dedicated equipment finance and these assets are then self financing through trading cash inflow.

The significant increase in adjusted EBITDA means the Net Debt to Adjusted EBITDA leverage ratio in respect of the revolving credit facility (RCF) reduced to 3.1:1 at 30 September 2017 (2016: 3.7:1). All facility covenants have been complied with throughout the period and the facility has now been extended to March 2019.

Net debt was £11.1 million (2016: £6.6 million), the increase driven primarily by the acquisition of Martract and net investment in working capital. The Group's £15 million RCF was fully drawn at the year-end. Post year-end the Group completed a share placing, raising net proceeds of £4.8 million. Some £2.7 million was repaid immediately as a tranche of debt, leaving the Group £12.3 million drawn at the time of writing.

Earnings per share and dividends.

Adjusted earnings per share increased to 6.3 pence (2016: (2.6) pence loss per share). Basic loss per share was (7.9) pence (2016: 4.4 pence from continuing operations).

No dividends were paid in the year (2016: £0.8 million) and no dividends have been declared in respect of the year ended 30 September 2017 (2016: nil). Distributable reserves in the parent Company increased 20.1% to £22.1 million (2016: £18.4 million).

Statement of financial position

Goodwill and intangible assets (at cost) increased by £5.8 million to £37.9 million (2016: £32.1 million). £4.8 million related to the acquisition of Martract, the remainder was investment in new product development and investment in IT systems. Amortisation in the year was £2.4 million (2016: £2.2 million).

Net current assets reduced to £9.1 million (2016: £10.0 million). This decrease is predominantly due to net investment in working capital in the year.

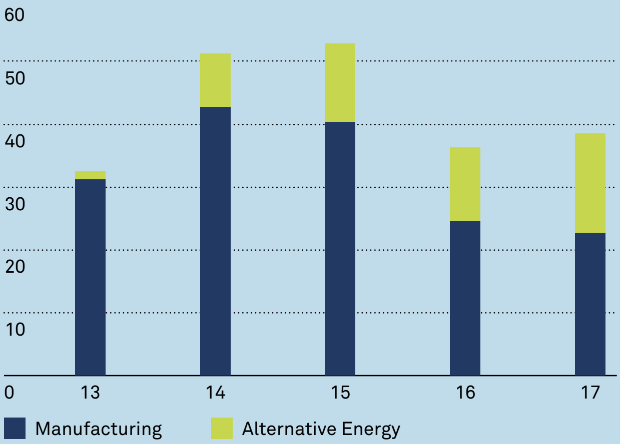
Non-current liabilities increased to £18.0 million (2016: £15.8 million) after borrowings increased to £15.6 million (2016: £12.4 million).

Net assets decreased by 2.9% to £33.8 million (2016: £34.8 million) and therefore net asset value per share decreased to 233 pence (2016: 241 pence). Had the post year-end fundraising taken place at the year-end date, the net asset value per share would have been 207 pence.

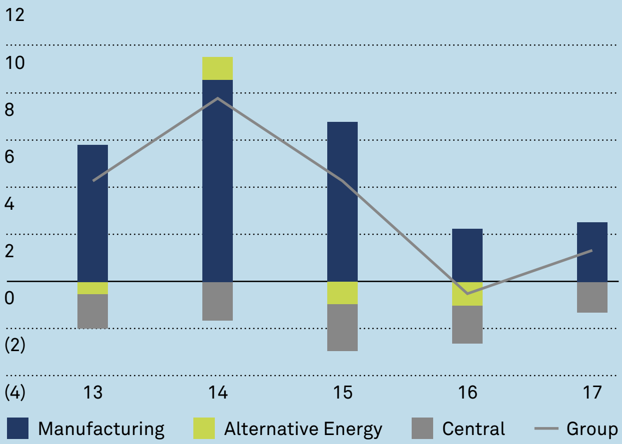
Joanna Allen
Chief Financial Officer
11 December 2017

Financial dashboard

Five year sales history by Division £m



Five year operating profit history by Division £m



2017 Cash flow bridge £m


HURCO
VMX60SR

Key Performance Indicators

Measuring performance

Key Performance Indicators

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

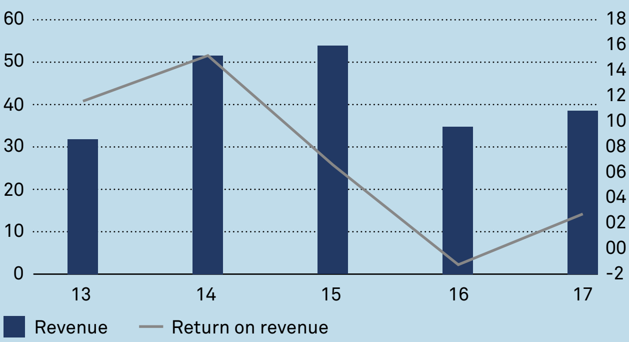
Financial performance

Growth and return

Growth is measured in terms of sales revenue.

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

Revenue and return on revenue



Cash conversion

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

Cash conversion in the Manufacturing Divisions was a ratio of 1.1:1 (2016: 2.4:1). Cash conversion for the Group was a ratio of 0.9:1 (2016: not calculated due to the losses in AE and overall Group adjusted operating loss).

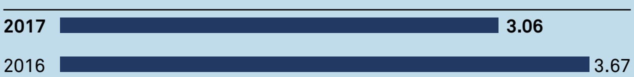
Net Debt ratio

This is calculated as Net Debt (cash and cash equivalents less borrowings) divided by adjusted EBITDA.

Revenue

3.06x

(2016: 3.67x)

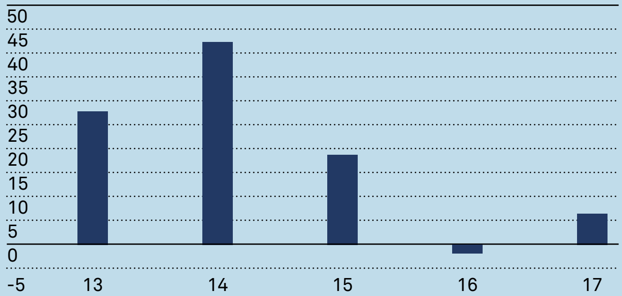


Shareholders

Adjusted earnings per share

Adjusted earnings per share is used as a measure of shareholder return. Details of the calculation of adjusted EPS can be found in note 12 of the notes to the consolidated financial statements.

Adjusted earnings per share pence

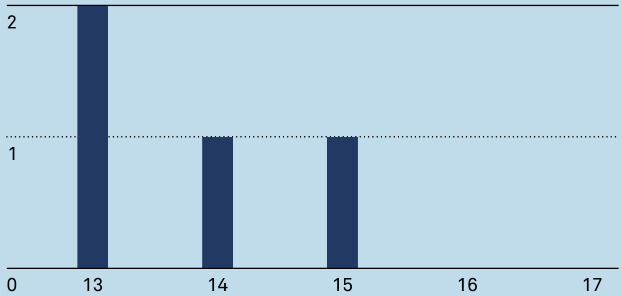


Corporate Social Responsibility

Health and Safety

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

Reportable accidents



Environment

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

Environmental incidents

0

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

Risks and Uncertainties

The principal risks identified by management are described below. This year we have changed the headings used, which the management believes better reflects the nature of the risk. Any changes to the risks are detailed below.

A reminder of our strategy

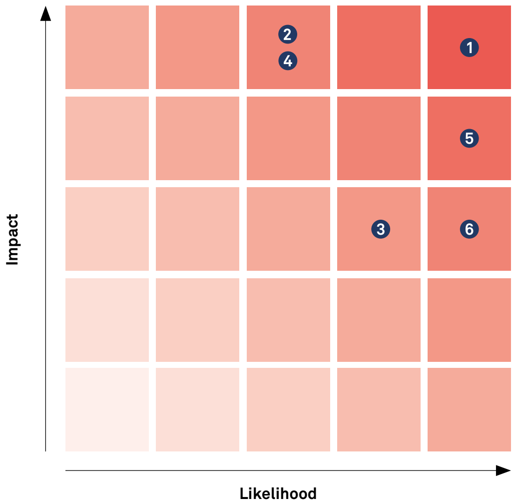
1. Consolidate and build on the business
2. Identify and develop profitable niche opportunities in growth sectors
3. Identify and develop profitable acquisition opportunities

Direction of change

- Increase
- No change
- Decrease

Risk management process

Risk heatmap – impact and likelihood



1. Global economic conditions
2. Governmental policy and legislation
3. Competitors and commercial relationships
4. Funding
5. Availability of key resources
6. Technology and innovation

Risk and impact	Management strategy	Change
1. Global economic conditions 1 2 3		
The Group is affected by the macro conditions in the oil and gas, defence and renewable energy markets	• The Group has increased its exposure to other markets such as defence and alternative energy and revenues from these areas have risen. • The businesses in the Group were aligned to the recent adverse conditions in oil and gas but have retained and invested in their core capability pending a return to normal market conditions. • The businesses serve both production and exploration of the oil and gas market, production being less volatile during a market downturn. • Increased sales focus to expand customer base and product lines. • As oil prices have increased, volumes are increasing in the Manufacturing Divisions and the Group is no longer solely dependent on the AE Division for short-term growth.	No change

Risk and impact	Management strategy	Change
1. Global economic conditions 1 2 3 continued		
Brexit	• Limited impact on the Group. • VAT and duty particularly related to the import of raw materials. • Exchange rate, which has gone in our favour to date. • The details of how a final deal may look and its impact on the Group will be monitored.	→
Foreign currency	• Natural hedges are in place for the currencies the Group is exposed to and all FX trading is done from Group treasury including forward exchange contracts. • As our AE business grows and becomes increasingly profitable the relationship between the USD and CAD will become more prominent.	→
Pricing	• Adverse market conditions in oil and gas can have a considerable impact on pricing. The Group has set minimum gross margins and does not reduce prices to unacceptable levels as experience indicates that the cost of failure of a part outweighs the initial product cost in the medium-term. • AE contracts are complex with a number of third party variables upon which contract completion are dependent. The Division has seen a number of legacy costs on contracts where initial pricing negatively affected the overall profit on the contract. Robust pricing procedures and a global procurement structure are now in place.	↑
2. Governmental policy and legislation 2		
Revenue generated from defence contracts and alternative energy contacts are impacted by government policies and legislation.	• Changes that impact our defence contracts have enough visibility for management to implement plans that could mitigate them. • Globally AE revenue is impacted by political initiatives to support the uptake of biogas upgrading. For example, the UK has suffered order slippage with the delay of the UK's Renewable Heat Incentive (RHI) but the business is benefiting from State landfill policies in the US. In addition the business operates across multiple geographies and jurisdictions adapting its sales strategy accordingly, which mitigates much of the risk from any one in particular.	**NEW**
3. Competitors and commercial relationships 1		
The Group has a number of major competitors in its key markets who offer a wider variety of products and some of which who are also suppliers.	• Requirements from suppliers are split out and a constant review is maintained. • Investment in product expansion and development to maintain leading market position. • Strategic acquisition of Martract strengthened our position in the supply chain and other similar opportunities are frequently reviewed. • Branding and marketing of the PMC Division as one entity increases the number of products available to existing customers and strengthens the Division's standing alongside major competitors. • Increased investment in sales and technical efficiencies.	→

Risks and Uncertainties continued

Risk and impact	Management strategy	Change
3. Competitors and commercial relationships 1 continued		
Customer concentration	• There are a number of individual businesses within the Group with a high dependence on a very small number of customers and much work has been done to develop the distribution channels and expand the customer base. • Key account management is a focus of all the businesses across the Group and we have a history of strong customer relationships.	→
4. Funding 1 2 3		
The Group's growth requires access to funding	• The Group recently raised £4.8 million net of expenses as a result of investor interest, which it will use primarily to underpin its operational gearing ahead of an upturn in the oil and gas market. • The Group extended its banking facilities until the end of March 2019. The facility provides access to £15m in total which was fully drawn at the year end date. Robust procedures and reliable and accurate reporting ensures covenants are well managed.	↓
5. Availability of key resources 1 2 3		
Management resource	• The Group has a small management team with reliance on a number of key Directors, senior management and specialists. A policy restricts the number of Directors permitted to travel together. • Investment in recruitment extends and enhances existing skills within the Group and strengthens succession planning. • A Human Resource specialist has recently joined the Group management team.	→
Key employee knowledge and skill base	• 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 postgraduate degrees. • The Group is seen as a good employer, with attractive employment terms, SAYE schemes and career and skill development opportunities.	→
Major capital assets	• Certain of the Group's businesses rely on large or critical pieces of equipment. These 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.	**NEW**

Risk and impact	Management strategy	Change
6. Technology and innovation 1 2		
Product development	• Investment in product development and services is key to the continued growth of the Group and maintaining a leading market position.	→
Disruptive technologies	• The monitoring of evolving technologies that may disrupt the market is ongoing, looking to both capitalise on the opportunities they may provide as well offsetting any potential threats.	**NEW**
Cyber security	• Cyber security is a growing risk for all businesses. The Group operates a Cyber Security committee comprising members of the Board, the senior management team and our IT providers. • A full assessment of cyber security arrangements has been carried out at each of the Group's businesses and actions to mitigate risk are ongoing. • The Group recently invested in collaborative working systems with cloud storage where there are increased security advantages for data protection.	**NEW**

What's changed

- The impacts of low cost competitors has been removed from the principal risks as the Group is now competitive in the markets where this was an issue, in addition many of the markets we serve are focused on the cost of failure rather than cost to produce.
- The tax and compliance risks have been removed as at the current levels, they are not considered a principal risk. However, as overseas profits grow it may become relevant. Its inclusion in the principal risks will be reviewed annually.

Introduction to Governance

Alan Wilson
Chairman

"The Group has clearly defined values that emanate from the top down and dictate how we conduct our business and engage with all our stakeholders."

As a Group we comply with the 12 principles set out in the QCA Code, however at the time of writing last year there were three elements which we did not comply with. We have progressed two of these. In this year's report you will find our first Audit and Risk Committee Report set out on page 39 and on our website you will find the detailed results of shareholder voting. Only details of the performance evaluation procedures for each Director, the whole Board and each committee are not disclosed but this will be reviewed in the coming year.

How the code works in practice for Pressure Technologies

Dealing code

The Company has adopted the Quoted Companies Alliance Code for Directors' Dealings and, as applicable to AIM companies, this provides a clear process for compliance by our Directors and relevant employees.

Communication with Shareholders

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

Culture and ethics

We believe that an effective Board, which provides strong leadership and engages well with both management and the senior management team, is essential to underpinning the culture within the Group from the top down.

The Board does this by holding Board meetings at subsidiary sites and is active on sub-committee groups, such as, Health and Safety and Cyber Security. In addition Divisional managers are regularly invited to present to the Board and can gain valuable feedback drawn from the considerable experience of the Non-Executive Directors.

The Group has clear ethical values, which are set out in the Sustainable and Responsible Business section on page 16 of this report, implemented through sound procedures.

Alan Wilson
Chairman
11 December 2017

How we govern our Company

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

Board

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

Board meeting attendance

Alan Wilson	12/12
Philip Cammerman	10/12
Brian Newman	12/12
Neil MacDonald	11/12
John Hayward	12/12
Joanna Allen	12/12

A

Audit and Risk Committee

Chaired by Neil MacDonald

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

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

N

Nomination Committee

Chaired by Alan Wilson

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

The Committee is also responsible for succession planning.

R

Remuneration Committee

Chaired by Philip Cammerman

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

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

Directors and Advisers

5 3 1 2 4 6

Company information

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

Registered number
06135104

Website
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Company Secretary
Joanna Allen

Investor relations
Keeley Clarke

Auditor
Grant Thornton UK LLP
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Leeds, LS1 4BN

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

Bankers
Lloyds Bank
14 Church Street
Sheffield, S1 1HP

Nominated adviser
Cantor Fitzgerald Europe
1 Churchill Place
London, E14 5RB

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

Committee key

A Audit and Risk Committee N Nomination Committee R Remuneration Committee ● Chairman ○ Member

1 Alan Wilson
A N R

Independent Non-executive Chairman

Appointed
- February 2013

Relevant strengths
- Engineering expertise
- Oil and gas sector knowledge
- Growing businesses and funding

Relevant experience
- Alan is a degree-qualified Chartered Engineer with 37 years of experience from working in the oil and gas industry, the majority of which has been served at senior management and board level.
- His experience spans most aspects of the industry life cycle including; oil company operations, major capital projects, support services and product manufacturing.

External commitments
- Alan serves as Chairman of two private equity-backed businesses and is a Non-executive Director of a privately owned company operating within the oil and gas sector. He also chairs another listed company, Modern Water plc.

2 John Hayward

Chief Executive Officer

Appointed
- June 2007

Relevant strengths
- Entrepreneurship
- Management and leadership

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

3 Joanna Allen

Chief Financial Officer

Appointed
- July 2015

Relevant strengths
- Audit and M&A
- Financial due diligence

Relevant experience
- Audit and Transaction Services Director with PWC. Her experience covers both audit and corporate transaction services with a particular focus on working in the manufacturing and engineering sectors.
- In 2017 she was shortlisted in the Northern Finance Director Awards
- Qualified Chartered Accountant with the ICAEW.
- She has a degree in Business Studies from the University of Sheffield.

4 Philip Cammerman
A N R

Independent Non-executive

Appointed
- April 2008

Relevant strengths
- SME managerial expertise in UK and USA
- Funding and investment expertise
- Growth funding and M&A expertise

Relevant experience
- Philip has over 20 years' industrial experience in engineering and hi-tech industries and has worked in both the UK and USA.
- He spent 23 years in the venture capital industry, playing a major part in the development of the YFM Group into the most active investor in UK SMEs.
- Mentoring SMEs and Early Stage Businesses.
- Non-executive directorships across listed businesses, private companies and early stage businesses.

External commitments
- Following his retirement from the YFM Group in 2008, Phil developed a small but proactive portfolio of Non-executive directorships in the engineering and finance sectors.

5 Brian Newman
A N R

Independent Non-executive

Appointed
- September 2015

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

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

External commitments
- He is currently a Non-executive Director with The Shrewsbury and Telford Hospital NHS Trust and a number of other organisations.

6 Neil MacDonald
A N R

Independent Non-executive

Appointed
- June 2013

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

Relevant experience
- Neil is a Chartered Accountant with 25 years of experience in the oil and gas and engineering industries.
- He was Group Finance Director of AES Engineering Limited the international mechanical seals manufacturer; and previously Group Finance Director of the international aerospace company, Firth Rixson.
- He has held numerous non executive roles in the public and private sector.

External commitments
- Neil is a Governor of Sheffield Hallam University, a private sector Board Member of the Sheffield City Region Local Enterprise Partnership and a trustee of various charitable organisations.

Report of the Remuneration Committee

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

Policy on remuneration of Executive Directors

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

a) Basic salary and benefits

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

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

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

b) Annual performance related cash bonus scheme

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

c) Long Term Incentive Plan

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

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

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

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

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

d) Service contracts

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

Directors' remuneration

Particulars of Directors' remuneration are as follows:

	Salary and fees £'000	Benefits £'000	Pension £'000	Total 2017 £'000	Total 2016 £'000	Employers' national insurance 2017 £'000	Employers' national insurance 2016 £'000
Non-executive:							
Alan Wilson	**64**	**—**	**—**	**64**	56	**5**	2
Philip Cammerman	**41**	**—**	**—**	**41**	38	**4**	4
Brian Newman	**50**	**—**	**—**	**50**	40	**5**	4
Neil MacDonald	**40**	**—**	**—**	**40**	38	**4**	4
Executive:							
John Hayward	**205**	**2**	**22**	**229**	225	**27**	27
Joanna Allen	**154**	**1**	**19**	**174**	164	**20**	19
Total remuneration	**554**	**3**	**41**	**598**	561	**65**	60

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

The number of Directors who accrued benefits under money purchase pension arrangements in the period was two (2016: two).

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

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

	Total 2017 £'000	Total 2016 £'000
Non-executive:		
Philip Cammerman	**—**	2
Executive:		
John Hayward	**—**	56
Total dividends paid to Directors	**—**	58

Report of the Remuneration Committee continued

Directors' options

The Directors' interests in share options are as follows:

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

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

	John Hayward No.	Joanna Allen No.
Outstanding at the beginning of the period	167,219	75,832
Granted during the period	—	—
Outstanding at the end of the period	167,219	75,832

On behalf of the Board

Philip Cammerman
Chairman, Remuneration Committee
11 December 2017

Directors' Report

The Directors present their report and the audited financial statements for the period from 2 October 2016 to 30 September 2017.

Principal activities

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

Cylinders

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

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

Precision Machined Components

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

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

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

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

Engineered Products

Hydratron Limited whose principal activity is the design, manufacture and sale of a range of air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs.

Alternative Energy

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

Results and dividends

The consolidated statement of comprehensive income is set out on page 48. The profit on ordinary activities before taxation of the Group for the period ended 30 September 2017 amounted to £1.1 million (2016: £0.4 million).

No interim dividend was paid in the period (2016: nil). The Directors do not recommend the payment of a final dividend (2016: nil).

Environment

Pressure Technologies recognises that its activities have an impact on the environment. Managing this impact is an integral part of responsible corporate governance and good management practice. The Group has developed environmental policies and the main points are listed below:

- Overall responsibility for the implementation of these policies is the responsibility of the main Board and the senior management at each Group company. The Group will comply with both the letter and the spirit of relevant environmental regulations. Additionally, the Group will actively participate in industry and Governmental environmental consultative processes.
- The Group is committed to the continuous improvement of its environmental management system. Specifically the Group seeks to reduce waste and energy use and prevent pollution.
- As part of continuous improvement, it is the policy of the Group to establish measurable environmental objectives and communicate these to all employees. These documented objectives will be periodically reviewed as part of the management review process. The necessary personnel and financial resources will be provided to meet these objectives.
- Employees are given such information, training and equipment as is necessary to enable them to undertake their work with the minimum impact on the environment.

The Group had no notifiable environment incidents in 2017 (2016: nil).

Directors' Report continued

Substantial shareholdings

As at 15 November 2017, 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
Artemis Investment Management LLP	2,648,648	14.24%
Liontrust Asset Management	1,766,619	9.50%
City Financial	1,694,754	9.11%
Canaccord Genuity Group Inc	1,517,178	8.16%
Schroder Investment Management	1,232,304	6.63%
John Hayward	1,002,221	5.39%
James Sharp	999,529	5.38%
Hargreaves Lansdown	623,880	3.36%
A J Bell Securities	577,389	3.11%
Unicorn Asset Management	567,167	3.05%

Directors and their interests

The present Directors of the Company are set out on pages 30 and 31.

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

Ordinary shares	**30 September 2017 No.**	1 October 2016 No.
John Hayward	**1,002,221**	1,002,221
Philip Cammerman	**30,000**	33,395
Neil MacDonald	**5,200**	5,200
Alan Wilson	**—**	—
Joanna Allen	**—**	—
Brian Newman	**—**	—

Share options

No share options were granted during the period.

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

Financial instruments

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

The Group's principal financial instruments comprise cash and bank loans together with trade receivables and trade payables that arise directly from its operations. The Group has entered into derivative transactions in the normal course of trade. It does not trade in financial instruments as a matter of policy.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 24 to the consolidated financial statements.

Directors' indemnities

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

Employee involvement

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

Disabled persons

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

Going concern

The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The principal risks and uncertainties are set out from page 24. 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 bank borrowings have been extended to March 2019 and management have produced forecasts for all business units which have been reviewed by the Directors. These demonstrate that the Group is forecast to generate profits and cash in 2017/2018 and beyond and that the Group has sufficient cash reserves and bank facilities to enable it to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed. Management have modelled the financial covenants in the forecasts and no breach is expected.

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

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.

Directors' Report continued

Statement of Directors' responsibilities for the financial statements continued

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

The Directors confirm that:

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

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

Auditor

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

Corporate governance

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

Cautionary statement on forward-looking statements and related information

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

By order of the Board

John Hayward
Chief Executive Officer
11 December 2017

Audit and Risk Committee Report

Members and meetings

The Group's Audit and Risk Committee ("the Committee") is chaired by Neil MacDonald. Its members and their attendance at meetings during the year are highlighted in our report on governance. 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 auditor 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
- 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 UK Corporate Governance Code ("the Code"). Although as an AIM listed company we are not required to comply with these recommendations, the Board is committed to adopting the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies ("the QCA Code") as a demonstration of our belief in, and commitment to, good governance. The Terms of Reference for this Committee are available for inspection on the Company's website.

External audit

The Group's external auditors are Grant Thornton UK LLP ("Grant Thornton"). They were appointed at the Group's 2008 AGM following a casual vacancy that was filled by them after their merger with RSM Robson Rhodes LLP, the Group's incumbent auditors at that time, in July 2007.

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 audit will therefore be put out to tender once the 2017 audit is complete.

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

The Committee 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.

Audit and Risk Committee Report continued

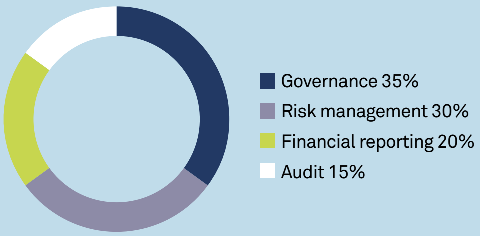
Market Abuse Regulation

The Committee has reviewed 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. We have taken appropriate measures to ensure compliance with the implementation of the EU Market Abuse Regulation which came into effect from 3 July 2016.

Significant matters addressed during the year

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

How the Committee has spent its time



Internal controls

Details of the key risks which the Group faces, the key controls in place to control those risks and the system of risk management adopted by the Group are set out on pages 24 to 27. 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 Alternative Energy Division ("AE") has been an area of particular focus in the year given the global restructuring and nature of the business being different to the other Manufacturing Divisions. Post-acquisition integration has also been considered, particularly where the acquired businesses are SMEs and unfamiliar with some aspects of corporate governance.

The Group continues to evolve and the Committee will review and advise on the design and operation of internal controls.

Pressure Technologies plc 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.

The Committee has reviewed the following areas:

Contract accounting judgements

As explained more fully in our accounting policies on page 53, the Cylinder and Alternative Energy Divisions derive a significant proportion of their turnover from contracts that span one or more years and are accounted for under the relevant accounting standards.

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 judgements and methodologies applied to key contract judgements and were in agreement with the position adopted.

Impairment and going concern

The Committee reviewed and considered the papers relating to the impairment and going concern disclosures in the Annual Report and Financial Statements. The Strategic Report discloses the conclusion of these reviews on page 37.

Contingent liabilities

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

Other

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.

One isolated case of employee expenses fraud was reported to the Committee during the year. Upon review, they were satisfied that the internal controls that detected the fraud were adequate and had operated effectively.

Approved by the Board and signed on its behalf by

Neil MacDonald
Chairman of the Audit and Risk Committee
11 December 2017

Independent Auditor's Report to the Members of Pressure Technologies plc

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 year ended 30 September 2017 which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Company balance sheet, the Company statement of changes in equity and the 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 Disclosures Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's loss for the year 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.

Who we are reporting to

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.

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.

Overview of our audit approach

- Overall materiality: £169,000, which represents 0.4% of the group's revenue.
- The key audit matters were identified as revenue recognition, the contingent liability in relation to the Chesterfield Special Cylinders Limited ("CSC") incident and the accounting for the acquisition of Martract Limited.
- We have assessed the components within the group and performed a combination of comprehensive audits, targeted audit procedures and analytical procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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
Risk 1 – Revenue recognition There is a risk that revenue may be misstated due to the improper recognition of revenue. In respect of revenue recognised for sale of goods, there is a risk that revenue is recognised before the risk and rewards of ownership have transferred to the customer. In respect of contractual arrangement with the customers there is a risk that revenue is misstated as each contract's outcome and stage of completion required management judgement. Therefore, we identified revenue recognition as a significant risk, and as one of the most significant assessed risks of material misstatement (whether due to fraud or error).	Our audit work included, but was not restricted to: • Walkthrough of the systems and controls in place around the recording of revenue. • Evaluation of the revenue recognition policies for appropriateness with IAS 18 'Revenue' and IAS 11 'Construction Contracts', as applicable and consistency with the prior period. • Testing a sample of revenue transactions in respect of sale of goods and agreeing them to supporting documentation to vouch that income has been appropriately recognised in accordance with IAS 18 'Revenue' and the accounting policy. • Testing revenue from contracts, on a sample basis to determine whether the revenue has been recognised in accordance with IAS 11 'Construction Contracts' and the accounting policy. • For a sample of contracts, testing the percentage of completion calculations by inspection of contract checklist documents and challenging the operations team as to the stage of completion, to determine if the revenue was recognised in accordance with accounting policy. • We have compared the revenue from the sale of goods and from contractual arrangements with the revenues in the prior year and obtained explanations for significant or unusual variances. The group's accounting policy on revenue recognition including the key sources of estimation uncertainty are shown in the Accounting policies section and related disclosures are included in note 1. The Audit Committee identified revenue recognition as a significant issue in its report on page 40 where the Audit Committee also described the action that it has taken to address this issue. Key observations Based on our audit work, we have found that revenues were being accounted for in line with the Group's accounting policies, IAS 18 'Revenues' and IAS 11 'Construction Contracts'.

Independent Auditor's Report to the Members of Pressure Technologies plc continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk 2 – Contingent liability in relation to the CSC incident Following the fatal accident in June 2015 the Health and Safety Executive ("HSE") opened an investigation into this accident. The group are cooperating with the HSE and have performed their own inquiries to investigate the root cause of the accident. Until the investigation is complete, the Group are unable to assess what charges may be brought. Management have concluded that it is not possible to determine with any degree of certainty what, if any, financial penalties may be levied on the group. No provision has been recorded within the financial statements however disclosure has been made in accordance with IAS 37 'provisions, contingent liabilities and contingent assets'. Therefore, we identified this incident as a significant risk, and as one of the most significant assessed risks of material misstatement (whether due to fraud or error).	Our audit work included, but was not restricted to: • Reading the correspondence between HSE and the group • Inquiring of management and the group's legal advisor. • Assessing the adequacy of the disclosure included within the financial statements. The group's accounting policy on provisions is shown in the Accounting policies section and related disclosures are included in note 31. The Audit Committee identified this matter as a significant issue in its report on page 41 where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Based on our audit work, no audit findings were noted. We consider that the disclosure in note 31 to the financial statements appropriately describes this matter.
Risk 3 – Accounting for the acquisition of Martract Limited On 7 December 2016, the group acquired 100% of the issued share capital of Martract Limited. IFRS 3 'Business Combinations' require acquired assets and liabilities in the consolidated financial statements to be recorded at their fair value. There is management judgement in relation to the fair value of the assets and liabilities acquired and the consideration paid. Therefore, we identified acquisition accounting as a significant risk, and as one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Obtaining an understanding of the valuation methodology used by management to calculate the fair value of the customer relationships and intellectual property intangible assets and comparing with accepted valuation methods. • Using internal valuation specialists to check the integrity of valuation calculation. • Assessing the appropriateness of the assumptions used in the valuation calculations for consistency with other financial information and forecasts of the acquired company. • Checking the accounting for the consideration by reference to the clauses in the acquisition agreement. • Challenging management as to the amount of the contingent consideration recognised. • Assessing the adequacy of the disclosures included within the financial statements. The group's accounting policy on business combinations including the key sources of estimation uncertainty are shown in the Accounting policies section and related disclosures are included in note 29. **Key observations** Based on our audit work, we have concluded that the acquisition of Martract Limited was accounted for in line with the Group's accounting policies and IFRS 3 'Business Combinations'. We consider that the disclosure in note 29 to the financial statements appropriately describes the management judgement.

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	£169,000 which is 0.4% of revenue. This benchmark is considered the most appropriate because revenue is a key performance indicator of the group and is a stable base. Materiality for the current year is consistent with the level that we determined for the year ended 1 October 2016.	Materiality is based on 0.5% of total assets, capped to 75% of group materiality, which is £127,000. This benchmark is considered the most appropriate given the activities of the parent company primarily being a holding company and its major activities relate to fixed assets included in the financial statements. Materiality for the current year is consistent with the level that we determined for the year ended 1 October 2016.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality
Tolerance for potential uncorrected misstatements	25% of financial statement materiality	25% of financial statement materiality
Communication of misstatements to the audit committee	£8,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Component materiality

Our audit work at the components is executed at levels of materiality appropriate for such components, which in all instances are capped at 75% of group materiality.

Independent Auditor's Report to the Members of Pressure Technologies plc continued

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:

- Documenting the processes and controls covering all of the Key Audit Matters.
- The group has components across Europe, North America and New Zealand. We have assessed the risk of material misstatement for each of these components to conclude which components are in scope for a comprehensive audit approach.
- A comprehensive audit approach included a combination of transactional testing and analytical procedures.
- The components subject to a comprehensive audit approach cover 96% of the consolidated revenues.
- The audit was performed such that we had appropriate oversight of the component auditor. This included briefing the component audit team, directing the risk assessment and fraud discussions and evaluating and reviewing the work performed by the component auditor for the purpose of the group audit.
- For those components where a comprehensive audit was not performed, we have carried out a combination of targeted audit procedures and analytical procedures.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 3, 30 to 34 and 39 to 41 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities statement set out on page 37 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.

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountant
Leeds
11 December 2017

Consolidated Statement of Comprehensive Income

For the 52 week period ended 30 September 2017

	Notes	**52 weeks ended 30 September 2017 £'000**	52 weeks ended 1 October 2016 £'000
Revenue	1	**38,418**	35,753
Cost of sales		**(27,710)**	(26,211)
Gross profit		**10,708**	9,542
Administration expenses		**(9,611)**	(9,923)
Operating profit / (loss) before M&A costs, amortisation and exceptional charges and credits	1	**1,097**	(381)
Separately disclosed items of administrative expenses:			
Amortisation and M&A related exceptional items	5	**(1,968)**	1,123
Other exceptional charges and credits	6	**(703)**	(798)
Operating loss		**(1,574)**	(56)
Finance income	2	**4**	32
Finance costs	3	**(343)**	(335)
Loss before taxation	4	**(1,913)**	(359)
Taxation	11	**766**	1,002
(Loss) / profit for the period from continuing operations		**(1,147)**	643
Discontinued operations			
Loss for the year from discontinued operations	7	**—**	(1,331)
Loss for the period attributable to owners of the parent		**(1,147)**	(688)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences on translation of foreign operations		**(4)**	(426)
Total comprehensive income for the period attributable to the owners of the parent		**(1,151)**	(1,114)
Basic earnings per share			
From continuing operation	12	**(7.9)p**	4.4p
From discontinued operations	12	**—**	(9.2)p
From (loss) / profit for the period		**(7.9)p**	(4.8)p
Diluted earnings per share			
From continuing operation	12	**(7.9)p**	4.4p
From discontinued operations	12	**—**	(9.2)p
From (loss) / profit for the period		**(7.9)p**	(4.8)p

The accounting policies and notes on pages 52 to 87 form part of these financial statements.

Consolidated Balance Sheet
As at 30 September 2017

	Notes	30 September 2017 £'000	1 October 2016 £'000
Non-current assets			
Goodwill	14	**16,062**	15,020
Intangible assets	15	**13,658**	11,329
Property, plant and equipment	16	**12,583**	13,765
Deferred tax asset	25	**343**	544
		42,646	40,658
Current assets			
Inventories	19	**4,986**	5,210
Trade and other receivables	20	**11,339**	11,279
Cash and cash equivalents		**4,791**	6,073
		21,116	22,562
Total assets		**63,762**	63,220
Current liabilities			
Trade and other payables	21	**(11,748)**	(12,069)
Borrowings	22	**(219)**	(242)
Current tax liabilities		**(23)**	(258)
		(11,990)	(12,569)
Non-current liabilities			
Other payables	21	**(238)**	(1,398)
Borrowings	22	**(15,642)**	(12,411)
Deferred tax liabilities	25	**(2,089)**	(2,027)
		(17,969)	(15,836)
Total liabilities		**(29,959)**	(28,405)
Net assets		**33,803**	34,815
Equity			
Share capital	26	**725**	724
Share premium account		**21,637**	21,620
Translation reserve		**(405)**	(401)
Retained earnings		**11,846**	12,872
Total equity		**33,803**	34,815

The accounting policies and notes on pages 52 to 87 form part of these financial statements.

The financial statements were approved by the Board on 11 December 2017 and signed on its behalf by:

Joanna Allen
Director
Company number: 06135104

Consolidated Statement of Changes in Equity
For the 52 week period ended 30 September 2017

	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 3 October 2015		721	21,539	25	14,056	36,341
Dividends	13	—	—	—	(810)	(810)
Share based payments	27	—	—	—	314	314
Shares issued	26	3	81	—	—	84
Transactions with owners		3	81	—	(496)	(412)
Loss for the period		—	—	—	(688)	(688)
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	(426)	—	(426)
Total comprehensive income		—	—	(426)	(688)	(1,114)
Balance at 1 October 2016		724	21,620	(401)	12,872	34,815
Dividends	13	—	—	—	—	—
Share based payments	27	—	—	—	121	121
Shares issued	26	1	17	—	—	18
Transactions with owners		1	17	—	121	139
Loss for the period		—	—	—	(1,147)	(1,147)
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	(4)	—	(4)
Total comprehensive income		—	—	(4)	(1,147)	(1,151)
Balance at 30 September 2017		**725**	**21,637**	**(405)**	**11,846**	**33,803**

The accounting policies and notes on pages 52 to 87 form part of these financial statements.

Consolidated Statement of Cash Flows

For the 52 week period ended 30 September 2017

	Notes	**52 weeks ended 30 September 2017 £'000**	52 weeks ended 1 October 2016 £'000
Operating activities			
Cash flows from operating activities	28	**319**	4,405
Finance costs paid		**(324)**	(228)
Income tax refund		**216**	504
Net cash inflow from operating activities		**211**	4,681
Investing activities			
Proceeds from sale of fixed assets		**21**	84
Purchase of property, plant and equipment		**(961)**	(883)
Cash outflow on purchase of subsidiaries net of cash acquired	29	**(3,597)**	—
Cash outflow on payment of deferred consideration		**—**	(2,500)
Net cash used in investing activities		**(4,537)**	(3,299)
Financing activities			
New borrowings		**3,350**	2,300
Repayment of borrowings		**(324)**	(342)
Dividends paid		**—**	(810)
Shares issued		**18**	84
Net cash from financing activities		**3,044**	1,232
Net (decrease) / increase in cash and cash equivalents		**(1,282)**	2,614
Cash and cash equivalents at beginning of period		**6,073**	3,459
Cash and cash equivalents at end of period		**4,791**	6,073

The accounting policies and notes on pages 52 to 87 form part of these financial statements.

Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and IFRIC interpretations issued by the International Accounting Standards Board and the Companies Act 2006. The Company has elected to prepare its parent Company financial statements in accordance with Financial Reporting Standard 101 (FRS 101). These are presented on pages 90 to 98. The financial statements are made up to the Saturday nearest to the period end for each financial period.

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

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ended 30 September 2017. The consolidated financial statements have been prepared on a going concern basis.

The Group's existing bank borrowings have been extended to March 2019 and management have produced forecasts for all business units which have been reviewed by the Directors. These demonstrate the Group is forecast to generate profits and cash in 2017/2018 and beyond and that the Group has sufficient cash reserves and headroom in borrowing costs to enable the Group to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed. Management have modelled the financial covenants in the forecasts and no breach is expected.

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

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

Standards and interpretations not yet applied by the Group

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements beginning on or after the dates given below and are expected to be relevant to the financial statements. These standards will be effective in future periods.

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective date 1 January 2016)
- Annual Improvements to IFRSs 2014-2016 Cycle (effective 1 January 2018)
- IFRS 16 Leases (effective date 1 January 2019)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
- Amendments to IAS 7: Disclosure Initiative (effective date 1 January 2017)

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

Other than in respect of IFRS 16 Leases, the application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position. IFRS 16 will not come into effect until our 2020 year end, therefore the impact assessment will be done nearer the time. However, it is likely to result in the current operating leases being recognised on the balance sheet (see note 30).

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

Revenue recognition

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

Stage of completion on construction contracts

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

Impairment reviews – intangible & 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.

Deferred consideration

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

Business combinations – retention cash

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

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 15 to the financial statements.

Accounting Policies continued

Key sources of estimation uncertainty continued

Warranty provisions

Under certain contractual arrangements, the Group provides a warranty in relation to some products sold, which could result in the future transfer of economic benefits from the entity. The Directors review the products for which a warranty is provided, and assess the amount of provision required to meet future potential liabilities. This includes judgements based on historical warranty spend and consideration of contracts that are currently within a warranty period. Warranty periods vary between products but are typically one year in duration. The level of warranty provisions is disclosed in note 21 to the financial statements.

Stage of completion on construction contracts

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

Deferred consideration

The Directors have assessed the carrying value of deferred consideration that is contingent on the future results of acquired entities by reviewing forecasts. These forecasts by nature are subject to an element of estimation uncertainty. See notes 5 and 29 for further details.

Contingent liabilities

There is judgement in respect of the accounting for provisions and contingent liabilities. Further details are disclosed in note 31 to the financial statements.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 September 2017 (2016: to 1 October 2016). Subsidiaries are all entities over which the Group has the power to control. The consolidated financial statements of the Group incorporate the financial statements of the parent Company as well as those entities controlled by the Group by full consolidation.

Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable return 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.

Deferred contingent consideration is recognised at its acquisition date fair value. Subsequent changes to this fair value resulting from events after the acquisition date are recognised through profit or loss. Where this deferred consideration arises in a currency other than Sterling, the liability is revalued at each period end date.

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable and arises from the sales of goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Revenue is recognised when:

- the significant risks and rewards of ownership have been transferred to the buyer, which may be the date the goods are despatched to the customer, completion of the product or the product being ready for delivery based on specific contract terms,
- the amount of revenue can be measured reliably,
- and when it is probable that the economic benefits associated with the transaction will flow to the Group.

Sale of goods

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

Rendering of services

Revenue from services is recognised when the outcome of the transaction can be estimated reliably and the Group has performed its obligations and, in exchange, obtained the right to consideration.

Contracts revenue

Contracts revenue is recognised in accordance with IAS 11, 'Construction Contracts'.

Once a contract is sufficiently advanced and the outcome of the contract can be measured reliably, contract revenue, costs and profits are recognised over the period of the contract by reference to the stage of completion of each contract. The stage of completion of a contract is determined by internal estimates, with reference to the proportion of costs incurred. Revenue is recognised in proportion to the total revenue expected on the contract.

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

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

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

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

Accounting Policies continued

Share-based employee remuneration

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

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

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

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

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

Dividends

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

Property, plant and equipment

Plant and equipment is stated at cost, net of depreciation and any provision for impairment. 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 which the asset is expected to generate income. If at any point the development costs fail to meet the recognition requirements of IAS 38, the costs are expensed through the consolidated statement of comprehensive income.

Intangible assets acquired as part of a business combination

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

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

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

Customer order book	Over life of the order book – typically one year
License and distribution agreement	15 years
Non-contractual customer relationships	5 – 10 years
Technology	7.5 – 15 years
Intellectual Property	15 years
IT systems & software licenses	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 combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Leased assets

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

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

Inventories

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

Accounting Policies continued

Income taxes

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

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

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

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

Accounting for financial assets

The Group has financial assets in the following categories:

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

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

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through profit or loss. Changes in fair value due to subsequent measurement are recognised in profit or loss.

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

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

Accounting for financial liabilities

Financial liabilities represent a contractual obligation for the Group to deliver cash or other financial assets. Financial liabilities are initially recognised at fair value, net of issue costs, when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the consolidated statement of comprehensive income line items "finance costs" or "finance income". The Group's financial liabilities include borrowings, trade and other payables, and derivative financial instruments. After initial recognition, all but the latter are measured at amortised cost using the effective interest rate method. Discounting on financial liabilities is omitted where the effect is immaterial. However, where it is required, the liability is initially recognised at fair value after discounting and the difference is recognised in the consolidated statement of comprehensive income under financing costs. Deferred consideration on acquisitions are the main balances where such treatment is required.

Measurement of fair value financial instruments

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

Derivative financial instruments

The Group has derivative financial instruments that are carried at fair value through profit or loss. The Group does not hedge account for these items. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. At certain times the Group has foreign currency forward contracts that fall into this category.

Cash and cash equivalents

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

Equity and reserves

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

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

Foreign currency translation

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

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

Accounting Policies continued

Foreign currency translation continued

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

Grants

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

Pensions

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

Segment reporting

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

- Cylinders: the design, manufacture and reconditioning of seamless high pressure gas cylinders.
- Precision Machined Components: the manufacture of specialised, precision engineered valve wear parts used in the oil and gas industries.
- Engineered Products: the manufacture of precision engineered products, air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs.
- Alternative Energy: marketing, selling and manufacture of biogas upgrading equipment to produce high purity biomethane.

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

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

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

Investments in associates

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

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

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

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

Exceptional items

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

Borrowings

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

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

Operating profit

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

Discontinued operations

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

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

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

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.

Notes to the Consolidated Financial Statements

1. Segment analysis

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

For the 52 week period ended 30 September 2017

	Cylinders £'000	Precision Machined Components £'000	Engineered Products £'000	Manu-facturing sub total £'000	Alternative Energy £'000	Central costs £'000	Total £'000
Revenue							
– total	8,403	10,703	3,861	22,967	15,800		38,767
– revenue from other segments	—	(340)	(9)	(349)	—	—	(349)
Revenue from external customers	8,403	10,363	3,852	22,618	15,800	—	38,418
Gross profit	3,408	3,591	1,002	8,001	2,731	(24)	10,708
Operating profit / (loss) before M&A costs, amortisation and exceptional charges and credits	1,062	1,840	(471)	2,431	3	(1,337)	1,097
Amortisation and M&A related exceptional items	—	(1,691)	—	(1,691)	(708)	431	(1,968)
Other exceptional charges	(34)	(57)	(36)	(127)	(413)	(163)	(703)
Operating profit / (loss)	1,028	92	(507)	613	(1,118)	(1,069)	(1,574)
Net finance (costs) / income	(9)	(6)	—	(15)	4	(328)	(339)
Profit / (loss) before tax	1,019	86	(507)	598	(1,114)	(1,397)	(1,913)
Segmental net assets*	6,271	24,370	2,526	33,167	14,736	(14,100)	33,803
Other segment information:							
Capital expenditure	(37)	166	23	152	72	68	292
Depreciation	403	700	108	1,211	105	122	1,438
Amortisation	—	1,691	—	1,691	708	8	2,407

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

1. Segment analysis continued

For the 52 week period ended 1 October 2016

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

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

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

Revenue	**2017 £'000**	2016 £'000
United Kingdom	**15,451**	17,235
Europe	**7,050**	7,817
Rest of the World	**15,917**	10,701
	38,418	35,753

The Group's largest customer contributed 12% to the Group's revenue (2016: 7%) and is reported within the Alternative Energy segment. No other customer contributed more than 10% in the period to 30 September 2017 (2016: nil).

Notes to the Consolidated Financial Statements continued

1. Segment analysis continued

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

Revenue	**2017 £'000**	2016 £'000
Oil and gas	**13,775**	15,527
Defence	**6,471**	6,469
Industrial gases	**2,347**	2,372
Alternative energy	**15,825**	11,385
	38,418	35,753

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.

Revenue	**2017 £'000**	2016 £'000
Sale of goods	**34,420**	32,591
Rendering of services	**3,998**	3,162
Total sales – continuing operations	**38,418**	35,753
Discontinued operations		
Sale of goods	**—**	1,230
Total sales	**38,418**	36,983

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

	2017			2016		
	United Kingdom £'000	**Rest of the World £'000**	**Total £'000**	United Kingdom £'000	Rest of the World £'000	Total £'000
Non-current assets	**42,594**	**52**	**42,646**	40,581	77	40,658
Additions to property, plant and equipment	**240**	**52**	**292**	859	102	961

2. Finance income

	2017 £'000	2016 £'000
Interest receivable on bank deposits	**4**	32
	4	32

3. Finance costs

	2017 £'000	2016 £'000
Interest payable on bank loans and overdrafts	**309**	246
Interest payable on finance leases	**19**	14
Discounting adjustment on trade and other payables	**15**	75
	343	335

4. Profit before taxation

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

	2017 £'000	2016 £'000
Depreciation of property, plant and equipment – owned assets	**1,382**	1,387
Depreciation of property, plant and equipment – assets under finance lease and hire purchase agreements	**56**	90
Loss on disposal of fixed assets	**21**	9
Amortisation of intangible assets acquired on business combinations	**2,407**	2,166
Amortisation of grants receivable	**(94)**	(99)
Staff costs – excluding share based payments (see note 9)	**11,058**	12,911
Cost of inventories recognised as an expense	**21,418**	20,538
Operating lease rentals:		
– Land and buildings	**353**	323
– Machinery and equipment	**89**	90
Foreign currency loss / (gain)	**37**	(711)
Share based payments	**121**	311
Research and development	**—**	209

5. Amortisation and M&A related exceptional items

	2017 £'000	2016 £'000
Amortisation of intangible assets	**(2,407)**	(2,166)
M&A costs	**(158)**	—
Deferred consideration write back	**597**	3,766
Foreign currency loss on revaluation of deferred consideration liability	**—**	(477)
	(1,968)	1,123

The deferred consideration write back in this period relates to the deferred consideration arising from the acquisition of Martract Limited. The deferred consideration write back in the prior period related to the deferred consideration arising from the acquisition of the Greenlane Group of Companies. The payment of these considerations are contingent on the future results of the acquired entities. The Directors reviewed forecasts in relation to Martract and Greenlane and considered that it was unlikely that the considerations would be paid, and as such they were released. Given the magnitude of the amounts released and the fact that they are non-trading, the Directors considered it appropriate to disclose them as exceptional items.

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

Notes to the Consolidated Financial Statements continued

6. Other exceptional (charges) / credits

	2017 £'000	2016 £'000
Reorganisation and redundancy	**(710)**	(732)
Costs in relation to HSE investigation	**(21)**	(66)
Write back of KGTM loan previously provided for	**28**	—
	(703)	(798)

The reorganisation costs relate to costs of restructuring across the Group, the Divisional split is given in note 1. They are recognised in accordance with IAS 19.

Costs in relation to the HSE investigation are costs borne by the Group as a direct result of the accident at Chesterfield Special Cylinders which are not recoverable through insurance. Given the non-trading nature of these costs, the Directors consider it appropriate to disclose this as an exceptional item. Further details on the HSE investigation can be seen in note 31.

The write back of KGTM loan previously provided for, relates to a receipt from KGTM for a loan amount that was previously provided for (reversal of the provision).

7. Results of discontinued operation

	2017 £'000	2016 £'000
Revenue	**—**	1,267
Expenses	**—**	(1,865)
Operating profit pre-exceptional costs	**—**	(598)
Exceptional costs:		
Reorganisation and redundancy	**—**	(278)
Impairment of assets on closure	**—**	(455)
Loss before taxation	**—**	(1,331)
Taxation	**—**	—
Loss for the year	**—**	(1,331)

Due to the oil and gas market conditions that continued into the second half of the prior accounting period, as part of the Group's restructuring, the US operation of the Engineered Products Division was closed during the prior year. The manufacturing facilities were wound down and fully closed in early September 2016.

	2017 £'000	2016 £'000
Cash flows from discontinued operations		
Net cash used in operating activities	**—**	(679)
Net cash from investing activities	**—**	27
Net cash from financing activities	**—**	783
Net cash flows for the year	**—**	131

8. Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the Company's Auditor for the audit of the Company and consolidated financial statements	**46**	40
Fees payable to the Company's Auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**115**	107
Fees payable to the Company's Auditor for non-audit services:		
– Tax compliance services	**32**	34
– Other services	**6**	17
– All other assurance services	**10**	—

9. Employee costs

Particulars of employees, including Executive Directors:

	2017 £'000	2016 £'000
Wages and salaries	**9,739**	11,422
Social security costs	**852**	1,042
Pension costs	**467**	447
Share based payments	**122**	311
	11,180	13,222

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

	2017 No.	2016 No.
Production	**144**	175
Selling and distribution	**30**	41
Administration	**65**	74
	239	290

The total number of employees, employed by the Group on 30 September 2017 was 240 (2016: 244).

Notes to the Consolidated Financial Statements continued

10. Directors' remuneration

Particulars of Directors' remuneration are as follows:

	2017 £'000	2016 £'000
Emoluments	**557**	520
Pension costs	**41**	41
Employers' national insurance	**65**	60
Share based payments	**63**	65
	726	686

Please see the Report of the Remuneration Committee on pages 32 to 34 for full details of Directors' emoluments which have been audited.

No Directors exercised any share options in the year.

During the year retirement benefits were accruing to two (2016: two) Directors in respect of defined contributions schemes.

Included in the aggregate emoluments for the period ended 30 September 2017 are payments of £27,050 (2016: £36,000) made to company's controlled by the Directors. The highest paid Director received total emoluments of £207,000 and pension contributions of £22,000 (2016: total emoluments of £204,000 and pension contributions of £21,000).

11. Taxation

	2017 £'000	2016 £'000
Current tax (credit) / expense		
Current tax	**—**	—
Over provision in respect of prior years	**(405)**	(163)
Foreign tax	**49**	—
	(356)	(163)
Deferred tax (credit) / expense		
Origination and reversal of temporary differences	**(534)**	(839)
Over provision in respect of prior years	**124**	—
	(410)	(839)
Total taxation credit	**(766)**	(1,002)

Corporation tax is calculated at 19.5% (2016: 20%) of the estimated assessable profit for the period. Deferred tax is calculated at the rate applicable when the temporary differences unwind.

11. Taxation continued

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

	2017 £'000	2016 £'000
Loss before taxation	**(1,913)**	(359)
Theoretical tax at UK corporation tax rate 19.5% (2016: 20%)	**(373)**	(72)
Effect of (credits) / charges:		
– non-deductible expenses and other timing differences	**204**	131
– disallowable release of deferred consideration	**(113)**	(658)
– other disallowable acquisition costs	**(49)**	—
– research and development allowance	**—**	(54)
– adjustments in respect of prior years	**(281)**	(160)
– effect of unrealised overseas	**—**	126
– change in taxation rates	**(2)**	(315)
– differences in corporation tax rates	**(68)**	—
– losses not previously recognised now utilised	**(84)**	—
Total taxation credit	**(766)**	(1,002)

12. Earnings per ordinary share

Basic and diluted earnings per share have been calculated based on the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period.

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

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

Additional shares were issued post year end as part of a share placing, see note 33.

Notes to the Consolidated Financial Statements continued

12. Earnings per ordinary share continued

For the 52 week period ended 30 September 2017	**Continuing £'000**	**Discontinued £'000**	**Total £'000**
Loss after tax	**(1,147)**	**—**	**(1,147)**

	No.
Weighted average number of shares – basic	**14,485,099**
Dilutive effect of share options	**75**
Weighted average number of shares – diluted	**14,485,174**

Basic loss per share	**(7.9)p**	**—**	**(7.9)p**
Diluted loss per share	**(7.9)p**	**—**	**(7.9)p**

The Group adjusted earnings per share is calculated as follows:

Loss after tax	**(1,147)**	**—**	**(1,147)**
Amortisation and M&A related exceptional items (note 5)	**1,968**	**—**	**1,968**
Other exceptional charges and credits (note 6)	**703**	**—**	**703**
Theoretical tax effect of above adjustments	**(606)**	**—**	**(606)**
Adjusted earnings	**918**	**—**	**918**
Adjusted earnings per share	**6.3**	**—**	**6.3**

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

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

Basic earnings / (loss) per share	4.4p	(9.2)p	(4.8)p
Diluted earnings / (loss) per share	4.4p	(9.2)p	(4.8)p

The Group adjusted loss per share is calculated as follows:

Profit / (loss) after tax	643	(1,331)	(688)
Amortisation and M&A related exceptional items (note 5)	(1,123)	—	(1,123)
Other exceptional charges and credits (note 6)	798	278	1,076
Impairment of assets on closure	—	455	455
Theoretical tax effect of above adjustments	(688)	(56)	(744)
Adjusted loss	(370)	(654)	(1,024)
Adjusted loss per share	(2.6)p	(4.5)p	(7.1)p

13. Dividends

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

	Rate	Date	Shares in issue	**2017 £'000**	2016 £'000
Final 2014/15	5.6p	18 March 2016	14,471,481	**—**	810
				—	810

No dividends have been declared in respect of the year ended 30 September 2017 or 1 October 2016.

14. Goodwill

	Total £'000
Cost and gross carrying amount	
At 3 October 2015	**15,020**
Acquired through business combinations	**—**
At 1 October 2016	**15,020**
Acquired through business combinations (note 29)	**1,042**
At 30 September 2017	**16,062**

	Date of acquisition	Original cost £'000
Precision Machined Components		
Al-Met Limited	February 2010	272
Roota Engineering Limited	March 2014	5,117
The Quadscot Group	October 2014	3,079
Martract Limited	December 2016	1,042
Engineered Products		
Hydratron Limited	October 2010	1,692
Alternative Energy		
The Greenlane Group	October 2014	4,860
At 30 September 2017		**16,062**

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

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

The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations, covering a four year forecast and applying a discount rate of 11.6% (2016: 11.6%). The same discount rate is used for all CGUs due to the businesses having common sources of finance and operating in very similar markets.

The forecast is approved by management and the Board of Directors, and is based on a bottom up assessment of costs and uses the known and estimated pipeline.

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

Notes to the Consolidated Financial Statements continued

14. Goodwill continued

Management's key assumptions are based on their past experience and future expectations of the market over the longer term. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs.

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

After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management believe that no impairment is required. Management is not aware of any other changes that would necessitate changes to its key estimates. At 30 September 2017, no reasonable expected change in the key assumptions (including a 5% decrease in forecast cash flows) would give rise to an impairment charge for any CGU.

15. Intangible assets

Cost	**Intellectual Property £'000**	**IT systems & Software Licenses £'000**	**Development expenditure £'000**	**Technology £'000**	**Non contractual customer relationships £'000**	**Total £'000**
At 3 October 2015	—	—	—	5,316	11,702	17,018
Additions	—	44	—	—	—	44
At 1 October 2016	—	44	—	5,316	11,702	17,062
Additions	—	432	564	—	—	996
Acquired through business combination (note 29)	2,796	—	—	—	944	3,740
At 30 September 2017	**2,796**	**476**	**564**	**5,316**	**12,646**	**21,798**
Amortisation						
At 3 October 2015	—	—	—	720	2,847	3,567
Charge for the period	—	1	—	703	1,462	2,166
At 1 October 2016	—	1	—	1,423	4,309	5,733
Charge for the period	155	9	—	708	1,535	2,407
At 30 September 2017	**155**	**10**	**—**	**2,131**	**5,844**	**8,140**
Net book value						
At 30 September 2017	**2,641**	**466**	**564**	**3,185**	**6,802**	**13,658**
At 1 October 2016	—	43	—	3,893	7,393	11,329
Remaining useful economic life at 30 September 2017	14 years	5 years	10 years	5 years	6 years	

16. Property, plant and equipment

	Assets under construction £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 3 October 2015	1,837	4,894	12,545	19,276
Additions	359	75	527	961
Disposals	—	—	(204)	(204)
Impairment	—	(17)	(52)	(69)
Net exchange differences	—	—	34	34
At 1 October 2016	2,196	4,952	12,850	19,998
Additions	—	6	286	292
Acquired through business combinations (note 29)	—	—	16	16
Disposals	—	—	(76)	(76)
Transfers	(2,008)	—	2,008	—
Impairment	—	—	(11)	(11)
Net exchange differences	—	—	1	1
At 30 September 2017	**188**	**4,958**	**15,074**	**20,220**
At 3 October 2015	—	66	4,862	4,928
Charge for the period	—	63	1,414	1,477
Disposed of in the period	—	—	(112)	(112)
Impaired in the period	—	(11)	(49)	(60)
At 1 October 2016	—	118	6,115	6,233
Charge for the period	—	76	1,362	1,438
Disposed of in the period	—	—	(34)	(34)
At 30 September 2017	**—**	**194**	**7,443**	**7,637**
Net book value				
At 30 September 2017	**188**	**4,764**	**7,631**	**12,583**
At 1 October 2016	2,196	4,834	6,735	13,765

Included within the net book value of £12,583,000 is £374,000 (2016: £828,000) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £56,000 (2016: £90,000).

17. Subsidiaries

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the parent Company's separate financial statements as listed on page 94.

Notes to the Consolidated Financial Statements continued

18. Investments in associates

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

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

	Country of incorporation	Assets £'000	Liabilities £'000	Revenues £'000	Loss £'000	Interest held %
At 1 October 2016						
Kelley GTM, LLC.	USA	473	(6,202)	918	(195)	40
At 30 September 2017						
Kelley GTM, LLC.	USA	1,004	(7,189)	908	(652)	40

KGTM has a year-end date of 31 December. The period for which the results of KGTM have been shown in the table above is from 2 October 2016 to 30 September 2017. The Group's share of the results of KGTM are not included in the Group's financial statements as the investment and loans made to KGTM are fully written down and there is no legal or constructive obligation to recognise any further losses and no further payments have been made on behalf of the associate.

The total losses recognised against the investment and other receivables from KGTM for the period were £nil (2016: nil) leaving unrecognised losses of £652,000 (2016: £195,000).

19. Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	**2,959**	2,917
Work in progress	**1,982**	402
Finished goods	**45**	1,891
	4,986	5,210

Inventories are stated net of provisions of £547,000 (2016: £498,000).

20. Trade and other receivables

	2017 £'000	2016 £'000
Current		
Trade receivables	**8,820**	7,536
Amounts due from customers for construction contract work	**1,256**	1,827
Other receivables	**216**	602
Prepayments and accrued income	**1,047**	1,314
	11,339	11,279

The average credit period taken on the sale of goods and services was 61 days (2016: 47 days) in respect of the Group. One debtor individually accounted for over 10% of trade receivables and represented 14% of the total balance. In 2016, one debtor accounted for over 10% of trade receivables and represented 26% of the total balance.

Ageing of past due but not impaired receivables:

	2017 £'000	2016 £'000
Days past due:		
0 – 30 days	**1,702**	1,310
31 – 60 days	**310**	242
61 – 90 days	**360**	220
91 – 120 days	**50**	65
121+ days	**84**	389
Total	**2,506**	2,226

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

21. Trade and other payables

	2017 £'000	2016 £'000
Amounts due within 12 months		
Trade payables	**5,030**	6,903
Progress billings on construction contracts in excess of work completed	**1,368**	931
Other tax and social security	**757**	301
Accruals, deferred income and other payables	**4,593**	3,934
Total due within 12 months	**11,748**	12,069
Amounts due after 12 months		
Accruals, deferred income and other payables	**238**	1,398
Total due after 12 months	**238**	1,398

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

The warranty provision at 30 September 2017 is £491,000 (2016: £306,000).

Notes to the Consolidated Financial Statements continued

22. Borrowings

	2017 £'000	2016 £'000
Non-current		
Bank borrowings	**15,000**	12,300
Finance lease liabilities	**642**	111
	15,642	12,411
Current		
Finance lease liabilities	**219**	242
	219	242
Total borrowings	**15,861**	12,653

At the balance sheet date, the above bank borrowings were due for repayment on 30 September 2018, being exactly 12 months from the balance sheet date. The Group's next accounting period ends on 29 September 2018. Accordingly the Directors have concluded that it is appropriate to present the loan as due for repayment after one year.

The borrowing facility repayment date has since been extended to March 2019. The bank loan bears average coupons of 2% above LIBOR annually.

Total borrowings include secured liabilities of £15 million. Bank borrowings are secured on the property, plant and equipment of the Group (note 16). Obligations under finance leases are secured on the plant & machinery assets to which they relate.

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

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

	2017 £'000	2016 £'000
Due within one year		
Finance lease liabilities	**219**	242
Due for settlement after one year		
Bank borrowings	**15,000**	12,300
Finance lease liabilities	**642**	111

The Group has the following undrawn borrowing facilities:

	2017 £'000	2016 £'000
Expiring beyond one year	**—**	2,700

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

23. Construction contracts

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

	2017 £'000	2016 £'000
Costs incurred and profit recognised to date	**19,862**	16,083
Less: Progress billings	**(19,974)**	(15,187)
Net balance sheet position for ongoing contracts	**(112)**	896

24. Financial instruments

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

	2017 £'000	2016 £'000
Debt	**(15,861)**	(12,653)
Cash and cash equivalents	**4,791**	6,073
Net debt	**(11,070)**	(6,580)
Equity	**33,803**	34,815

Debt is defined as long and short-term borrowings, as detailed in note 22. Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

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

The Group held the following categories of financial instruments:

	2017 £'000	2016 £'000
Financial assets		
Loans and receivables:		
– Trade receivables	**8,820**	7,536
– Other receivables	**216**	602
– Cash and cash equivalents	**4,791**	6,073
	13,827	14,211

Notes to the Consolidated Financial Statements continued

24. Financial instruments continued

	2017 £'000	2016 £'000
Financial liabilities		
Financial liabilities – held at amortised cost		
– Trade payables	**5,030**	6,903
– Accruals	**2,081**	2,792
– Borrowings	**15,861**	12,653
	22,972	22,348

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

Financial risk management objectives

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

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

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, particularly in US Dollars, CAN Dollars, NZ Dollars and Euros, and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk. There are no open contracts at 30 September 2017 (2016: none).

Foreign currency risk management

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

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

	Financial assets		Financial liabilities	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Euro	**1,107**	1,853	**1,347**	1,087
US Dollar	**2,159**	3,563	**478**	2,514
CAN Dollar	**777**	540	**936**	653
NZ Dollar	**169**	21	**53**	71
	4,212	5,977	**2,814**	4,325

24. 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	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Profit or loss	**22**	70	**14**	10	**148**	95

	NZ Dollar currency impact	
	2017 £'000	2016 £'000
Profit or loss	**10**	5

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

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

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

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

The level within which the financial asset or liability is clarified is determined based on the lowest level of significant input to one fair value measurement. The Group holds level 2 financial instruments as detailed below. No transfers in either direction have been made between the levels of fair value hierarchy.

Forward foreign exchange contracts – Level 2

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

At 30 September 2017, the Group had no contracts outstanding (2016: no contracts outstanding).

Forward exchange contracts gave rise to a loss of £nil in the period ended 30 September 2017. The fair value of forward foreign exchange contracts at 1 October 2016 gave rise to a loss of £26,000.

Interest rate risk management

If interest rates had been 0.5% higher/lower and all other variables were held constant, the impact on the results in the consolidated statement of comprehensive income and equity would be an decrease/increase of £48,000 (2016: £31,000).

Price risk management

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

Notes to the Consolidated Financial Statements continued

24. Financial instruments continued

Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. The two largest customers within trade receivables account for 22% (2016: 36%) of debtors. Management continually monitor this dependence on the largest customers and are continuing to seek acquisitions and are also developing new products, customers and markets to reduce this dependence. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The Group's management estimate the level of allowances required for doubtful debts based on prior experience and their assessment of the current economic environment. The Group's maximum exposure to credit risk is limited to the carrying value of financial assets recognised at the period end. The Group's management considers that all financial assets that are not impaired or past due are of good credit quality. The credit risk on liquid funds is minimised by using counterparty banks with high credit-ratings assigned by international credit-rating agencies.

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.

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 based on the earliest date on which the Group may be required to pay.

2017	**Current within 6 months £'000**	**Current 6 to 12 months £'000**	**Non-current 1 to 5 years £'000**	**Total net payable £'000**
Trade and other payables	**7,111**	**—**	**—**	**7,111**
Bank borrowings	**—**	**—**	**15,000**	**15,000**
Amounts due under hire purchase agreements	**123**	**96**	**642**	**861**
	7,234	**96**	**15,642**	**22,972**

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

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

	2017 £'000	2016 £'000
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**—**	26
Amounts charged to cost of sales within the consolidated statement of comprehensive income	**—**	26

Fair values

The fair values of financial assets and liabilities are determined as follows:

- Outstanding foreign currency exchange contracts are measured using quoted forward exchange rates at the reporting date. The Group does not hedge account.

The carrying value and fair value of the financial assets and financial liabilities are considered to be the same.

25. Deferred tax

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

	Accelerated tax depreciation £'000	Intangible assets £'000	Short term temporary differences £'000	Share option costs £'000	Unused losses £'000	Total £'000
At 3 October 2015	(758)	(1,770)	111	95	—	(2,322)
Credit / (charge) to income	40	514	(16)	(29)	330	839
At 1 October 2016	(718)	(1,256)	95	66	330	(1,483)
Prior year adjustment	(3)	—	(13)	56	(40)	—
Credit / (charge) to income	291	325	68	16	(290)	410
Acquired through business combinations	—	(673)	—	—	—	(673)
At 30 September 2017	**(430)**	**(1,604)**	**150**	**138**	**—**	**(1,746)**

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

	2017 £'000	2016 £'000
Non-current asset		
Deferred tax asset	**343**	544
Non-current liabilities		
Deferred tax liabilities	**(2,089)**	(2,027)
	(1,746)	(1,483)

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

26. Called up share capital

	2017 No.	2016 No.	**2017 £'000**	2016 £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	**14,495,165**	14,471,481	**725**	724

The Company issued 11,189 ordinary shares at a price of 156p to employees exercising their rights to acquire shares under the company's SAYE scheme throughout the year. The Company issued 12,495 ordinary shares at a price of 5p to an employee exercising their rights to acquire shares under an Enterprise Management Plan issued. The effect of these issues has been to increase share capital by £1,000 and share premium by £17,000.

Notes to the Consolidated Financial Statements continued

27. Share based payments

Save-as-you-earn Scheme

Pressure Technologies plc introduced a share option scheme for all employees of the Group in November 2007. The scheme rules were reviewed and updated in 2017 as required by HMRC. If the options remain unexercised after a period of three years and six months from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest and are treated as a cancellation if the employee chooses to stop contributing. Members of the scheme are required to remain employees of the Group and make regular contributions.

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

	2017 No.	**Weighted average exercise price**	2016 No.	Weighted average exercise price
Outstanding at the beginning of the period	**292,513**	**169.4p**	355,293	186.9p
Granted during the period	**—**	**—**	85,440	150p
Lapsed during the period	**—**	**—**	—	—
Forfeited during the period	**(63,758)**	**164.6p**	(79,912)	189.1p
Cancelled during the period	**(56,820)**	**171p**	(59,957)	221.8p
Exercised during the period	**(11,189)**	**156p**	(6,551)	153.4p
Expired during the period	**(20,878)**	**156p**	(1,800)	150p
Outstanding at the end of the period	**139,868**	**174p**	292,513	169.4p

5,217 of the outstanding options were exercisable at the end of the period. The options outstanding at 30 September 2017 had a weighted average remaining contractual life of 1.1 years (2016: 1.8 years). The terms of these options are as follows:

Date of grant	Options outstanding at 30 September 2017	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
31 July 2014	5,217	3 years	719	593	6 months
30 July 2015	92,771	3 years	238	161.2	6 months
2 August 2016	41,880	3 years	147.5	150	6 months
Total options outstanding at 30 September 2017	**139,868**				

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

27. Share based payments continued

Pressure Technologies plc Performance Share Plan – Enterprise Management Plan

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

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

	2017 No.	**Weighted average exercise price**	2016 No.	Weighted average exercise price
Outstanding at the beginning of the period	**153,156**	**210.6p**	153,156	210.6p
Granted during the period	**—**	**—**	—	—
Lapsed during the period	**(40,661)**	**150.5p**	—	—
Exercised during the period	**(12,495)**	**150.5p**	—	-
Outstanding at the end of the period	**100,000**	**242.5**	153,156	210.6p

All of the outstanding options were exercisable at the end of the period. The options outstanding at 30 September 2017 had a weighted average remaining contractual life of 0.8 years (2016: 1.3 years). The terms of these options are as follows:

Date of grant	Options outstanding at 30 September 2017	Vesting period	Market value at date of grant (p)	Exercise price (p)
9 August 2013	100,000	3 years	242.5	242.5
Total options outstanding at 30 September 2017	**100,000**			

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

Pressure Technologies plc – Long Term Incentive Plan

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

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

	2017 No.	**Weighted average exercise price**	2016 No.	Weighted average exercise price
Outstanding at the beginning of the period	**646,647**	**285.5p**	259,589	421.2p
Granted during the period	**—**	**—**	410,391	196.2p
Lapsed during the period	**(204,490)**	**262.5p**	(23,333)	225p
Outstanding at the end of the period	**442,157**	**296.1p**	646,647	285.5

Notes to the Consolidated Financial Statements continued

27. Share based payments continued

None of the outstanding options were exercisable at the end of the period. The outstanding options outstanding at 30 September 2017 had a weighted average remaining contractual life of 3.9 years (2016: 4.9 years). The terms of these options are as follows:

Date of grant	Options outstanding at 1 October 2016	Vesting period	Market value at date of grant (p)	Exercise price (p)
3 April 2014	45,239	3 years	720.8	720.8
12 December 2014	68,893	3 years	473.3	473.3
25 June 2015	46,666	3 years	212	225
21 December 2015	281,359	3 years	196.2	196.2
Total options outstanding at 30 September 2017	**442,157**			

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

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 £121,000 (2016: £311,000). The charge is calculated in accordance with IFRS 2, 'Share Based Payments'.

A deferred tax credit of £16,000 (2016: £29,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

28. Consolidated cash flow statement

	2017 £'000	2016 £'000
Loss after tax	**(1,147)**	(688)
Adjustments for:		
Finance costs – net	**339**	303
Depreciation of property, plant and equipment	**1,438**	1,477
Amortisation of intangible assets	**2,407**	2,166
Share option costs	**121**	314
Income tax credit	**(766)**	(1,002)
Loss on derivative financial instruments	**—**	26
Loss on disposal of property, plant and equipment	**21**	8
Exceptional deferred consideration released and revaluation	**(597)**	(3,289)
Exceptional impairment of assets	**11**	464
Changes in working capital:		
Decrease in inventories	**243**	1,749
Decrease in trade and other receivables	**413**	1,948
(Decrease) / increase in trade and other payables	**(2,164)**	929
Cash flows from operating activities	**319**	4,405

29. Business combinations

On 7 December 2016, the Group acquired 100% of the issued share capital of Martract Limited for an initial consideration of £3,997,000, plus maximum deferred consideration of £600,000.

In calculating goodwill below, the contingent consideration is held at fair value of £583,000. This has been estimated based on future earnings. The fair value estimate is based on a discount rate of 3% and assumes that £583,000 of deferred consideration is payable.

Subsequently the post acquisition performance and forecasts have been reviewed by the Directors and they consider that it is unlikely that the consideration will be paid, and as such it has been released (note 5).

Martract has unique capabilities in spherical grinding that ensures the perfect sphericality of new and refurbished ball valves, such that the valve will seal in any position, through the opening and closing process. It is based in Barton-upon-Humber. The transaction has been accounted for by the acquisition method of accounting.

The table below summarises the consideration paid for Martract and the fair value of the assets and liabilities acquired.

	Book value £'000	Intangible assets recognised on acquisition £'000	Fair value adjustment £'000	Fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed:				
Property, plant and equipment	16	—	—	16
Intangible assets	—	3,740	—	3,740
Inventories	19	—	—	19
Trade and other receivables	162	—	363	525
Cash and cash equivalents	400	—	—	400
Trade and other payables	(101)	—	(488)	(589)
Current tax liabilities	(25)	—	125	100
Deferred tax liabilities	—	(673)	—	(673)
	471	3,067	—	3,538
Goodwill				1,042
Total consideration				4,580
Satisfied by:				
Initial cash				3,634
Retention cash				363
Deferred cash consideration				583
				4,580
Net cash outflow arising on acquisition				
Initial & retention cash consideration				3,997
Cash and cash equivalents acquired				(400)
Initial consideration less net cash acquired				3,597

The intangible assets acquired with the business comprise £944,000 in relation to non-contractual customer relationships and £2,796,000 in relation to the manufacturing intellectual property.

The fair value adjustment relates to an Employment Related Securities liability that arose as a result of the vendors shareholder restructuring immediately prior to completion. This liability was funded by the vendors of Martract Limited.

Notes to the Consolidated Financial Statements continued

29. Business combinations continued

The goodwill of £1,042,000 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of Martract with the rest of the PMC Division. None of the goodwill recognised is expected to be deductible for income tax purposes.

Martract contributed £671,000 revenue and £236,000 to the Group's profit after tax for the period between the date of acquisition and the balance sheet date. The effect of the inclusion of the acquisition had it been completed on the first day of the financial year is considered to be immaterial upon the Group's revenue and profit after tax.

30. Financial commitments

(a) Capital commitments

Commitments for capital expenditure entered into were as follows:

	2017 £'000	2016 £'000
Contracted for, but not provided in the accounts	**—**	—

(b) Operating lease commitments

The Group has entered into commercial leases on certain properties, motor vehicles and items of plant and equipment. At the balance sheet date, the Group had outstanding commitments for minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £'000	2016 £'000
Land and buildings:		
Within one year	**322**	293
In the second to fifth years inclusive	**972**	936
After more than five years	**594**	729
	1,888	1,958
Other assets:		
Within one year	**67**	75
In the second to fifth years inclusive	**61**	92
	128	167

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

- A 15 year lease for Al-Met Limited's property commenced on 10 November 2010 with rent reviews at the end of year 5 and year 10 of the term;
- Hydratron Limited's 10 year property lease commenced on 28 October 2010 and had a rent review at the end of year 5; and
- A five year lease for the Group's head office commenced on 31 July 2014, at Chapeltown, Sheffield.

31. Contingent liabilities

Following the fatal accident at Chesterfield Special Cylinders ("CSC") in June 2015, other than the submission by CSC of written responses to questions from the Health and Safety Executive ("HSE"), there have been no further developments since the interim statement on 13 June 2017 and the HSE investigation into this accident remains ongoing. On 1 February 2016 the Sentencing Council's new "Health and Safety Offences, Corporate Manslaughter and Food Safety and Hygiene Offences Definitive Guideline" (2016) came into force.

The guidelines set a range of fines dependent on the levels of harm and culpability. These levels are assessed by the Judge when sentencing and not at the time of charges being brought. We continue to cooperate fully with the HSE. Until the HSE investigation is complete CSC's management and legal adviser are not in a position to assess what charges may be brought. As a result of this and the nature of the sentencing guidelines it is not possible to determine with any degree of certainty what, if any, financial penalties may be levied on CSC or any other group company as a result of this investigation. At such time as the quantum and likelihood of any penalty is able to be reliably determined further disclosure or provision will be made in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

32. Related party transactions

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

	2017 £'000	2016 £'000
Short-term employee benefits (including Employers' NI)	**622**	580
Post-employment benefits	**41**	41
Share based payments	**63**	65
Total remuneration	**726**	686

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

During the period ended 30 September 2017, Pressure Technologies spent £64,779 with Vias Digital Limited of which one of the Non-Executive Directors, Alan Wilson, is a connected person.

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

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

33. Post balance sheet event

On 6 November 2017, a total of 4,100,000 new Ordinary Shares of 5 pence each in the Company were placed at a price of 122 pence, raising proceeds of £5,002,000 before expenses. Net proceeds of the placing were £4,764,000.

Company Balance Sheet
As at 30 September 2017

	Notes	30 September 2017 £'000	1 October 2016 £'000
Fixed assets			
Investments	4	**41,092**	36,430
Intangible fixed assets	5	**291**	42
Tangible fixed assets	6	**3,587**	3,640
		44,970	40,112
Current assets			
Debtors	7	**14,745**	13,575
Cash at bank and in hand		**585**	57
		15,330	13,632
Creditors: amounts falling due within one year	8	**(717)**	(607)
Net current assets		**14,613**	13,025
Creditors: amounts falling due after more than one year	8	**(15,090)**	(12,369)
Net assets		**44,493**	40,768
Capital and reserves			
Called up share capital	10	**725**	724
Share premium account	12	**21,637**	21,620
Profit and loss account	12	**22,131**	18,424
Equity shareholders' funds		**44,493**	40,768

The Company reported a profit for the financial year ended 30 September 2017 of £3,586,000 (2016: £5,924,000). The accounting policies and notes on pages 90 to 98 form part of these financial statements.

Approved by the Board on 11 December 2017 and signed on its behalf by:

Joanna Allen
Director

Company Statement of Changes in Equity
For the 52 week period ended 30 September 2017

	Notes	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 3 October 2015		721	21,539	12,994	35,254
Dividends		—	—	(810)	(810)
Share based payments		—	—	99	99
Share options granted to subsidiary companies		—	—	217	217
Shares issued		3	81	—	84
Transactions with owners		3	81	(494)	(410)
Profit for the period		—	—	5,924	5,924
Balance at 1 October 2016		724	21,620	18,424	40,768
Dividends		—	—	—	—
Share based payments		—	—	39	39
Share options granted to subsidiary companies		—	—	82	82
Shares issued		1	17	—	18
Transactions with owners		1	17	121	139
Profit for the period		—	—	3,586	3,586
Balance at 30 September 2017		**725**	**21,637**	**22,131**	**44,493**

The accounting policies and notes on pages 90 to 98 form part of these financial statements

Notes to the Company Financial Statements

1. Accounting policies

Statement of compliance

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

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit for the financial year dealt within the financial statements of the holding Company was £3,586,000 (2016: £5,924,000) after applying a tax credit (note 9) of £117,000 (2016: charge £nil) to the profit before tax of £3,469,000 (2016: £5,924,000).

Going concern

The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. The principal risks and uncertainties are set out from page 24. The Financial Reporting Council issued "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity risks" in 2016. The Directors have considered this when preparing these financial statements.

Management has produced forecasts for all business units which have been reviewed by the Directors. These demonstrate that the Group is forecast to generate profits and cash in 2017/2018 and beyond and that the Group has sufficient cash reserves and bank facilities to enable it to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed.

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

Disclosure exemptions adopted

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

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

Investments

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

Intangible assets

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

The following useful lives are applied:

IT systems & software – 3-5 years

1. Accounting policies continued

Tangible assets

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

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

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

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

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

Finance leases

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

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

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

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

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

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

All other leases are treated as operating leases.

Post-employment benefit plans

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

Notes to the Company Financial Statements continued

1. Accounting policies continued

Share based payments

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

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

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

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

Equity, reserves and dividend payments

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

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

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

Income taxes

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

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

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

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

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

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

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

Deferred tax liabilities are not discounted.

2. Employees

Average weekly number of employees, including Executive Directors:

	2017 Number	2016 Number
Administration	**10**	12
	10	12

Staff costs, including Directors:

	2017 £'000	2016 £'000
Wages and salaries	**993**	1,065
Social security costs	**125**	128
Other pension costs	**84**	116
Share based payments	**39**	88
	1,241	1,397

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

3. Operating profit

The Auditor's remuneration for the audit and other services is disclosed in note 8 to the consolidated financial statements.

4. Investments in subsidiary companies

	Investment in subsidiary companies £'000
Cost and net book value	
At 1 October 2016	36,430
Investments made in the year	4,580
Share options granted to subsidiary company employees	82
At 30 September 2017	**41,092**

The Company acquired 100% of the issued share capital of Martract Limited on 7 December 2016.

Notes to the Company Financial Statements continued

4. Investments in subsidiary companies continued

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

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

* Indirectly held subsidiaries

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

5. Intangible fixed assets

	IT systems & software £'000
Cost	
At 1 October 2016	43
Additions	258
At 30 September 2017	**301**
Amortisation	
At 1 October 2016	1
Charge for the period	9
At 30 September 2017	**10**
Net book value	
At 30 September 2017	**291**
At 1 October 2016	42

6. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost				
At 1 October 2016	3,355	442	42	3,839
Additions	—	1	65	66
At 30 September 2017	**3,355**	**443**	**107**	**3,905**
Depreciation				
At 1 October 2016	20	178	1	199
Charge for the period	10	90	19	119
At 30 September 2017	**30**	**268**	**20**	**318**
Net book value				
At 30 September 2017	**3,325**	**175**	**87**	**3,587**
At 1 October 2016	3,335	264	41	3,640

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

7. Debtors

	2017 £'000	2016 £'000
Amounts: falling due within one year		
Prepayments and accrued income	**144**	138
Other debtors	**8**	92
Amounts owed by Group companies	**14,575**	13,324
Deferred tax (note 11)	**18**	21
	14,745	13,575

Notes to the Company Financial Statements continued

8. Creditors

	2017 £'000	2016 £'000
Amounts: falling due within one year		
Trade creditors	**237**	99
Other tax and social security	**28**	42
Accruals and deferred income	**325**	329
Other payables	**99**	—
Corporation tax	**—**	120
Amounts due on hire purchase contracts	**28**	17
	717	607

	2017 £'000	2016 £'000
Amounts: falling due after one year		
Bank loan	**15,000**	12,300
Amounts due on hire purchase contracts	**90**	69
	15,090	12,369

Details of bank borrowings are set out in note 22 to the consolidated financial statements.

9. Taxation

	2017 £'000	2016 £'000
Current tax		
Current tax credit	**—**	—
Over provision in respect of prior years	**(120)**	—
	(120)	—
Deferred tax		
Origination and reversal of temporary differences	**3**	—
Total taxation credit	**(117)**	—

Corporation tax is calculated at 19.5% (2016: 20%) of the estimated assessable profit for the period. Deferred tax is calculated at 18% (2016: 17%).

10. Share capital

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

11. Deferred tax

	2017 £'000	2016 £'000
Opening balance for the period	**21**	21
Credit for the period	**(3)**	—
Closing balance for the period	**18**	21

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

	2017 £'000	2016 £'000
Cost of share options	**37**	30
Accelerated capital allowance	**(20)**	(9)
Other temporary differences	**1**	—
	18	21

12. Reserves

	Share premium account 2017 £'000	Profit and loss account 2017 £'000	Share premium account 2016 £'000	Profit and loss account 2016 £'000
At beginning of period	**21,620**	**18,424**	21,539	12,994
Profit for the financial period	**—**	**3,586**	—	5,924
Share option cost	**—**	**39**	—	99
Share options granted to subsidiary employees	**—**	**82**	—	217
Shares issued	**17**	**—**	81	—
Dividends	**—**	**—**	—	(810)
At end of period	**21,637**	**22,131**	21,620	18,424

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

Notes to the Company Financial Statements continued

13. Related party transactions

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

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

14. Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

15. Post balance sheet event

On 6 November 2017, a total of 4,100,000 new Ordinary Shares of 5 pence each in the Company were placed at a price of 122 pence, raising proceeds of £5,002,000 before expenses. Net proceeds of the placing were £4,764,000.

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