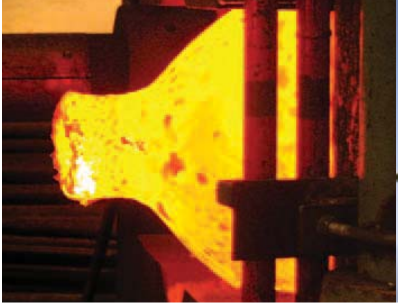
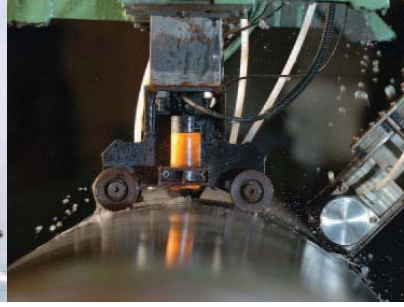


Pressure Technologies

Annual Report & Accounts 2007




The Board of Directors of Pressure Technologies plc

(Left to right) Nigel Luckett, Non-executive Director; John Hayward, Chief Executive; Richard Shacklady, Non-executive Chairman.

The Operational Board of Directors of Chesterfield Special Cylinders Limited

(Standing – left to right) John Brown, John Hayward (Managing Director), Philip Redfern. (Seated – left to right) Philip Catton, Alan Harding.

Contents of the Annual Report

Company information

Directors	R.L.Shacklady – non-executive Chairman J.T.S.Hayward – Chief Executive N.F.Luckett – non-executive
Secretary	T.J.Lister
Registered office	Meadowhall Road Sheffield S9 1BT
Registered number	06135104
Website	www.pressuretechnologies.com
Nominated advisor	Brewin Dolphin Securities 34 Lisbon Street Leeds LS1 4LX
Auditors	Grant Thornton UK LLP Chartered Accountants Centre City Tower 7 Hill Street Birmingham B5 4UU
Solicitors	Hlw Commercial Lawyers LLP Commercial House Commercial Street Sheffield S1 2AT
Bankers	Bank of Scotland 7 Leopold Street Sheffield S1 2FF
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

Chairman's statement

Following our successful listing on AIM in June 2007, it gives me great pleasure to present our first Annual Report as a public company.

Financial Highlights: The year ended 30th September 2007, resulted in a further period of sustained high growth in our business. Continued strong demand from global energy markets and increased penetration of overseas defence and aerospace sectors enabled the Group to continue its strong upward momentum. Turnover nearly doubled to £15.1m compared with £8.2m achieved in 2006.

Operating profit before exceptional items at £1.9m was nearly double the 2006 level of £1.1m. Pre-tax profits before operating exceptional items increased to £1.9m compared with £0.8m in 2006. As well as volume growth, the benefits of the business relocating to the Meadowhall, Sheffield facility in 2005 continue to positively impact manufacturing performance.

The net proceeds from flotation were £5.4m, of which £1.2m has been invested into working capital to support organic growth and our strong balance sheet provides significant flexibility to capitalise on further opportunities.

As indicated at the time of flotation, no dividend will be paid for year ended 30th September 2007. We can confirm our intention to declare a dividend for the six months interim period to 31st March 2008.

Strategy: We continue to implement a business growth programme based on penetration of key growth sectors, notably global energy and high pressure gases markets, establishing a presence in new niche sectors, and an increased focus on acquisition of businesses which offer synergistic benefits in related niche sectors. During 2007, we consolidated our supply position in the global offshore oil and gas market. Significant progress was made in the UK gas trailer refurbishment market and we plan to develop this sector further during 2008. We also have a number of initiatives underway in the Compressed Natural Gas and Biogas sectors which offer significant potential for our products in Continental Europe.

During the year £0.4 million of exceptional costs were incurred as a result of extensive due diligence on an unsuccessful overseas acquisition. Other acquisition targets, which will enhance our business, are being actively pursued.

The Board and Corporate Governance: As previously reported, Nigel Luckett joined the Group in April 2007 and we increasingly benefit from his wisdom and experience. It is our intention to further strengthen the Board this year with the appointment of a further Non-Executive Director.

The Board has established Audit and Remuneration Committees chaired by Nigel Luckett and a Nomination Committee chaired by myself.

We have also developed what has become an increasingly active corporate website for disseminating information to our investors.

People: Pressure Technologies' supportive culture helps to motivate all our employees to succeed and it is our employees who have helped to deliver a set of excellent results for the year and I am grateful for their contribution. As a result of their efforts it was notable that the business lost less than 48 hours output during the period when the factory was flooded in the storms of mid 2007.

It is appropriate to acknowledge the continued commitment and support of the Operational Directors of our subsidiary, Chesterfield Special Cylinders, ably led by our Chief Executive John Hayward since the MBO in 2004.

I would also like to thank our shareholders and investors who recognising our potential have supported us through the year.

Prospects: The Group finished 2007 in excellent financial condition, with buoyant conditions in each of our key market sectors and a forward order book of over £18 million, a record for any year end. These factors when combined with our strategic initiatives, make the Board confident of delivering further progress in the year ahead.

Richard L. Shacklady
Chairman
22 February 2008

Chief Executive's statement

I am delighted to submit my first annual statement as Chief Executive of Pressure Technologies plc. This has been both a rewarding and award winning year for the Group. Rewarding due to the way the Group has grown and developed, and our successful flotation on AIM in June. Award winning as Pressure Technologies won a Yorkshire Post Business Excellence award and our manufacturing subsidiary, Chesterfield Special Cylinders, was recipient of the Confederation of British Metalforming Company of the Year award. Financially we have exceeded analyst expectations and our order book remains strong with visibility through to 2009 in the oil and gas sector and a good level of potential projects across all market sectors.

To achieve these results we have made significant changes in the Group. The major changes are outlined below:

- Sales & marketing

  The year saw a further strengthening of the sales team with the appointment of an experienced export sales manager. This has allowed the development of several opportunities in Europe and the Far East. A new agent has been appointed in Australia and negotiations are well advanced with potential agents in the Pacific Rim. We are again forecasting growth in export sales in 2008.

  In 2008 we will be aggressively pursuing growth in the UK with the appointment of an additional salesman focussed solely on this market. There are still significant opportunities to grow the customer base in our home market across the full range of commercial products and services.

  Defence remains a difficult market in the UK where capital budgets are under pressure and market conditions remain tough. Export defence markets have provided better opportunities with projects won in 2007 with two more NATO navies for delivery from 2008 onwards.

- Operations

  Another near doubling in turnover has brought with it many challenges. Fortunately the move to Sheffield has put us in an area with a large pool of skilled metal workers and recruitment of labour has not been a major issue. We continue to invest in employee development and all manufacturing operatives either have as a minimum qualification or are studying for NVQ level 2. We have also recruited two new apprentices and it is a target of the business to recruit one or two new apprentices each year.

  Management of operations has been significantly enhanced by the introduction of additional logistics and production engineering staff in 2007. Plans are well advanced to further increase production scheduling and administration staff in 2008. These appointments are backed up by continuing investment in our IT systems.

  Capital investment has been focussed on improving manufacturing efficiency and increasing output. Major cost savings have been achieved through the elimination of subcontractors for ultralarge cylinder fit up and leak test and the purchase of a CNC machining centre to manufacture fittings and adaptors in-house. Capital investment in 2008 is forecast to be nearly four times depreciation charge as we look to continuously improve our output and efficiency.

- Technical & development

  Last year was a busy time for our technical departments. An increasing workload arising from the increase in sales was more than matched by increases in development work. Major projects have been commenced on the metallurgical properties of cylinders for naval applications, in-situ inspection, two-dimensional computer modelling of cold forming, alternative methods of hot forging of aircraft cylinders and the evaluation of new materials for high pressure cylinder manufacture.

  The Design function has come under particular pressure and since the year end we have employed an additional Designer and later in the year we will be looking to recruit a trainee into this area. It is essential that we maintain our edge in bespoke cylinder design and also have the resources to cope with the demands on the design function arising from increased sales volumes and new product development.

Chief executive's statement

continued

In addition to our internal technical resources we are seeking to forge closer working relationships with universities and R&D organisations in the region. Sheffield has a cluster of such organisations at the Advanced Manufacturing Park and EC support through Objective 1 and Objective 2 funding is still available.

- **Health, Safety & Environment**

  To meet the ever increasing burden of legislation, a specialist Health, Safety and Environmental manager has been appointed. As a result of this, our environmental management systems are now to a standard where we obtained accreditation to ISO14001 at Chesterfield Special Cylinders on 31 January 2008. This is very important to the business as it is likely that ISO14001 will become a qualifier for winning business with multi-national customers in the same way that ISO9000 is today.

Our flotation on AIM was a new beginning for the Group rather than an end in itself and I am very pleased that our first year report shows substantial progress in the year against our stated aims. We look forward to reporting further success in our 2008 interim results.

John Hayward
Chief Executive
22 February 2008

Directors' report

The Directors present their report and the audited financial statements for the year ended 30 September 2007.

Principal activities

Pressure Technologies plc ("PT") is the holding company for Chesterfield Special Cylinders Limited ("CSC") whose principal activities are the design, manufacture and reconditioning of seamless steel high pressure gas cylinders.

PT was incorporated on 2 March 2007 and in May 2007 effected a group reorganisation by which it became the parent company of CSC and Chesterfield Pressure Systems Group Limited. On 6 June 2007 the shares of PT were listed on the AIM market of the London Stock Exchange. As more fully explained within the Accounting Policies note to the financial statements, this has resulted in the consolidated financial statements presenting information as if the group existed in its current form for the two years ended 30 September 2007.

Results and dividends

The Consolidated Profit & Loss Account is set out on page 13. The profit on ordinary activities before taxation of the Group for the year ended 30 September 2007 amounted to £1,409,000 (2006: £839,000).

In line with the dividend policy stated in the Admission Document issued for the flotation in June 2007 the directors do not intend to declare a dividend for the period, with all profits being reinvested in the development of the Group. The Directors intend to declare a dividend in relation to the interim period for the six months ending 31 March 2008.

Business review

Financial overview

Sales revenues increased to £15,124,000 (2006: £8,170,000) as a result of demand from the oil & gas sector, an increase of 85%.

Gross profit increased by 46% to £3,887,000 (2006: £2,666,000) giving a gross margin of 25.7%. This reduction in gross margin was due to changes in mix with a higher proportion of product manufactured from bought in semi-finished forgings.

Selling and administration costs, excluding exceptional costs, increased by 23% to £1,980,000 to support business growth. Operating profit margins excluding exceptional costs decreased marginally from 12.9% to 12.6% as a result of the mix change and overhead cost increases.

Exceptional operating costs were £530,000 of which £125,000 was due to the costs of the flotation on AIM and £405,000 was due diligence costs of an aborted potential acquisition.

Profit before tax increased by 68% to £1,409,000 (2006: £839,000). Basic earnings per share were up 44% at 11.1p (2006: 7.7p).

The cash outflow from operations was £609,000 (2006: inflow £1,146,000) as the increase in trading required a large increase in working capital and also due to the exceptional operating costs incurred in the year.

Capital expenditure cash payments amounted to £428,000 (2006: £381,000) with expenditure targeted on improvements to the efficiency of the ultralarge finishing line and the replacement of subcontract manufacture of fittings & adaptors by in-house manufacture. The full year effect of this expenditure on profits will not be realised until 2008.

Net cash raised from the AIM flotation was £5,417,000 and cash increased by £3,932,000 to £4,930,000 (2006: £998,000).

Operational overview

The operational overview is contained in the Chief Executive's statement on pages 4 and 5.

Directors' report

continued

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 Pressure Technologies 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 will apply the requirements of ISO14001:2004 and implement an effective environmental management system.
- 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 internal audit and 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 2007.

Outlook for 2008

Orders and order prospects do not appear to have been affected by recent events arising from the collapse of the subprime lending market in the USA. Since the year end, sales volumes have been ahead of last year and whilst it is too early to predict the outcome for the year we remain confident of the growth potential for the business.

Principal risks & uncertainties

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

Risk	Management action
The Group derives over 75% of its sales from two key customers in one market sector.	Significant management resource is allocated to service the requirements of these customers. Ongoing development of new products, customers & markets.
The Group derives a high proportion of its raw material from a small number of key suppliers some of whom are competitors.	To reduce the inherent risk of supply from competitors, requirements are split across the available supplier base.
The Group operates from a single manufacturing site. In the event of a prolonged interruption to operations at this site, the Group may not have the ability to transfer its manufacturing activities to other facilities.	Health, safety and environmental risks which could result in site closure are managed on a day to day basis by a specialist manager reporting directly to the CSC Operations Director. The site is above the main flood plain. The threat of localised flooding has been reduced by raising the height of the banks of the stream adjacent to the factory.
The Group is small and relies on a small number of key Directors and senior managers.	As the business grows, increases in staff numbers make succession planning easier and recruitment is already carried out to ensure that skills and expertise can be duplicated. Key man insurance is in place for the PT Chief Executive, the CSC Operations Director and the CSC Sales and Marketing Director. The Board regularly reviews the adequacy of the policies currently in place.

Directors' report
continued

Other risks may also adversely affect the Group and actual results may differ materially from anticipated results because of a variety of risk factors, including but not limited to: changes in interest and exchange rates; changes in global, political, economic, business, competitive and market forces; changes to legislation and tax rates; future business acquisitions or disposals; relations with customers and customer credit risk; relations with suppliers and supplier credit risks; events affecting international security, including global health issues and terrorism, and; changes in legislation.

Summary and calculation of key performance indicators

Shareholders

KPI – Earnings per share

2007	11.1p
2006	7.7p

Earnings per share is calculated as profit for the year divided by the weighted average number of shares in issue.

Financial performance

KPI – Sales		**KPI - Return on sales**	
2007	£15.1 million	2007	12.6%
2006	£ 8.2 million	2006	12.9%
Target	£40 million by 2011	Target	15.0%

Sales growth was predominantly in the offshore oil & gas sector which accounted for 86% of sales in 2007 (61% in 2006).

Return on sales is calculated as operating profit before exceptional operating costs divided by sales expressed as a percentage. Return on sales was down marginally due to a combination of sales mix changes and additional overheads to support the sales growth through to 2008.

Health & safety

Environment

KPI – Reportable Accidents		**KPI - Reportable Incidents**	
2007	2	2007	Zero
2006	5	2006	Zero
Target	Zero	Target	Zero

Substantial shareholdings

As at 30 January 2008, the following had notified the Company that they 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
J.T.S. Hayward	1,100,040	9.7%
P.L. Redfern	870,000	7.7%
J.W. Brown	800,000	7.1%
P.D. Catton	773,333	6.8%
A. Harding	773,333	6.8%
South Yorkshire Investment Capital Fund LP	342,224	3.0%

Directors' report

continued

Directors and their interests

The present Directors of the Company are set out on page 2.

J.T.S.Hayward was appointed a Director on 2 March 2007. R.L.Shacklady and N.F.Luckett were appointed Directors on 4 May 2007. J.D.Clark was appointed a Director on 2 March 2007 and resigned on 31 December 2007. Their interests in the share capital of the Company are set out below.

Ordinary shares

	30 September 2007 No.
R.L.Shacklady (including 10,000 shares held by his wife)	43,333
J.T.S.Hayward	1,100,040
J.D.Clark (including 3,333 shares held by his wife)	50,000
N.F.Luckett	33,333

Share options

On 2 November 2007 approval was received from HM Revenue & Customs for the Pressure Technologies SAYE Sharesave Scheme. On 30 November 2007 the directors granted options on 59,197 ordinary shares in accordance with the Rules of the scheme to 27 of the Group's 46 employees who were eligible to apply for option shares under the scheme. The Directors' interests in share options granted on 30 November 2007 are as follows:

	Options on Ordinary shares of 5p No.
R.L.Shacklady	5,454
J.T.S.Hayward	2,181
N.F.Luckett	5,454

Financial instruments

The Group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk. The Group's principal financial instruments comprise cash and bank deposits, bank loans and overdrafts together with trade debtors and trade creditors that arise directly from its operations. The Group has not entered into derivative transactions, with the exception of foreign exchange contracts in the normal course of trade, nor does it trade in financial instruments as a matter of policy.

The main risks arising from the Group's financial instruments can be analysed as follows:

Price risk

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

Credit risk

The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the

Directors' report

continued

balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds is minimised because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Interest rate risk

Surplus cash is placed on short term deposit at fixed rates of interest.

Liquidity risk

Short term financing needs are met by working capital facilities.

Exchange rate risk

The Group purchases its raw materials in both US Dollars and Euros and receives payment for some of its products in Euros, however most payments are received in Sterling. After netting off foreign currency receipts and payments there is a net exposure to the risk of currency movements both in US Dollars and Euros. Where necessary the net exposure is hedged using forward contracts subject to limits in the Group's banking facility.

Research and development

During the year £21,000 of development costs were expensed to the profit & loss account (2006: £9,000).

Donations

Donations made by the Group during the year for charitable purposes in the United Kingdom amounted to £3,495 (2006: £nil).

Supplier payment policy

The Group's policy is to comply wherever practical with the terms of payment agreed with its suppliers. At the year end creditor days were 43 (2006: 51) for the Group.

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.

Statement of directors' responsibilities for the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

Directors' report

continued

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

At the date of making this report each of the Company's directors, as set out on page 2, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Transition to International Financial Reporting Standards

The six months ending 31 March 2008 will be the first results for the Group that will be reported under International Financial Reporting Standards ('IFRS'). The IFRS conversion project is progressing well and the Directors do not expect the impact of the adoption to be significant to the reported results of the Group.

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") were appointed as auditors during the year. Robson Rhodes merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 2 July 2007, creating a casual vacancy which the directors have filled by appointing Grant Thornton. A resolution to reappoint Grant Thornton as auditors of the Group will be proposed at the forthcoming Annual General Meeting.

Cautionary statement on forward-looking statements and related information

This document 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 speak only as at the date of this document.

By order of the Board

T.J.Lister
Secretary
22 February 2008

Independent Auditors' Report
to the shareholders of Pressure Technologies plc

We have audited the Group and parent company financial statements (the "financial statements") of Pressure Technologies plc for the year ended 30 September 2007 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement, consolidated statement of total recognised gains and losses and notes to the financial statements. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the Directors' report includes the specific information presented in the Chairman's and Chief Executive's statements that are cross referred from the Principal Activities and Business Review section of the Directors' report.

In addition we report to you if, in our opinion, the Group and the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, Chief Executive's Statement and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Group's and the parent company's affairs as at 30 September 2007 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Birmingham, England
22 February 2008

Consolidated profit and loss account

For the year ended 30 September 2007

	Notes	2007 £'000	2006 (as restated) £'000
Turnover	2	**15,124**	8,170
Cost of sales		**(11,237)**	(5,504)
Gross profit		**3,887**	2,666
Selling and administration expenses before exceptional costs		**(1,980)**	(1,610)
Exceptional administration costs		**(530)**	–
Total selling and administration expenses		**(2,510)**	(1,610)
Operating profit before exceptional costs		**1,907**	1,056
Exceptional administration costs	4	**(530)**	–
Operating profit		**1,377**	1,056
Interest receivable	3	**116**	15
Interest payable	3	**(84)**	(232)
Profit on ordinary activities before taxation	4	**1,409**	839
Taxation on profit on ordinary activities	8	**(452)**	(274)
Profit for the financial year	21	**957**	565
Earnings per share	9	**11.1p**	7.7p

All the above results are from continuing operations.

The notes on pages 17 to 31 form part of these financial statements.

Consolidated statement of total recognised gains and losses

For the year ended 30 September 2007

	Note	2007 £'000	2006 (as restated) £'000
Profit for the financial year		**957**	565
Total recognised gains and losses relating to the year		**957**	
Prior year adjustment	10	**(664)**	
Total gains and losses recognised since the last annual report		**293**	

Consolidated balance sheet

As at 30 September 2007

	Notes	2007 £'000	2006 (as restated) £'000
Fixed assets			
Intangible assets	11	**–**	–
Tangible assets	12	**1,774**	1,557
		1,774	1,557
Current assets			
Stocks	14	**4,550**	1,281
Debtors	15	**3,155**	3,366
Cash at bank and in hand		**4,930**	998
		12,635	5,645
Creditors: amounts falling due within one year	16	**(5,790)**	(4,898)
Net current assets		**6,845**	747
Total assets less current liabilities		**8,619**	2,304
Creditors: amounts falling due after more than one year	17	**(513)**	(1,191)
Provisions for liabilities	19	**(241)**	(216)
Net assets		**7,865**	897
Capital and reserves			
Called up share capital	20	**567**	220
Share premium account	21	**5,341**	-
Profit and loss account	21	**1,957**	731
Other reserve	21	**–**	(54)
Equity shareholders' funds	22	**7,865**	897

The notes and accounting policies on pages 17 to 31 form part of these financial statements.

The financial statements were approved by the Board on 22 February 2008 and signed on its behalf by:

J. T. S. Hayward
Director

Company balance sheet

As at 30 September 2007

	Notes	2007 £'000
Fixed assets		
Investments	13	1,001
Current assets		
Debtors	15	1,804
Cash at bank and in hand		3,931
		5,735
Creditors: amounts falling due within one year	16	(330)
Net current assets		5,405
Net assets		6,406
Capital and reserves		
Called up share capital	20	567
Share premium account	21	5,341
Profit and loss account	21	498
Equity shareholders' funds	22	6,406

The notes on pages 17 to 31 form part of these financial statements.

Approved by the Board on 22 February 2008 and signed on its behalf by:

J. T. S. Hayward
Director

Consolidated cash flow statement

For the year ended 30 September 2007

	Note	2007 £'000	2006 (as restated) £'000
Net cash (outflow)/inflow from operating activities	23a	**(609)**	1,146
Returns on investment and servicing of finance			
Interest received		**116**	15
Interest paid		**(84)**	(87)
Net cash inflow/(outflow) from returns on investments and servicing of finance		**32**	(72)
Taxation paid		**(176)**	–
Investing activities			
Purchase of tangible fixed assets		**(428)**	(381)
Proceeds from sale of tangible fixed assets		**9**	–
Net cash outflow for capital expenditure and financial investment		**(419)**	(381)
Net cash (outflow)/inflow before financing		**(1,172)**	693
Financing			
Issue of ordinary share capital (net of expenses charged against the share premium account)		**5,541**	–
Loan repayments	23c	**(437)**	(97)
Net cash inflow/(outflow) from financing		**5,104**	(97)
Net increase in cash	23c	**3,932**	596

The notes on pages 17 to 31 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 1985. The Group will adopt International Financial Reporting Standards as adopted in the EU for the first time in the financial statements for the year ending 30 September 2008 and the interim financial statements for the period ending 31 March 2008.

Basis of preparation

The financial statements for the year consist of the accounts for Pressure Technologies plc and its subsidiary undertakings.

Pressure Technologies Limited ("PT") was incorporated on 2 March 2007. On 21 May 2007 PT entered into a share for share exchange with the shareholders of Chesterfield Pressure Systems Group Limited ("CPSG") pursuant to which PT acquired the entire issued share capital of CPSG. As the shareholders of PT after this transaction remained the same as those previously in CPSG, no change of control took place. The transaction was a reorganisation of an existing entity and accordingly the transaction has been accounted for as a group reconstruction with both the net assets of PT and CPSG being recorded at book value. The consolidated balance sheet presents consolidated information as if the group existed in its current form at 30 September 2006 and 30 September 2007 and the consolidated profit and loss account and consolidated cash flow statement reflect two years trading for the Group. The individual Company balance sheet for PT is shown as at 30 September 2007 but since the Company had not been incorporated at 30 September 2006 there are no comparative figures.

All other acquisitions and disposals have been accounted for under the acquisition method of accounting whereby profits or losses are included as from or up to their respective dates of acquisition or disposal.

Under section 230(4) of the Companies Act 1985 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 £498,000 after incurring exceptional operating costs totalling £530,000 (2006: £nil) relating to the flotation and aborted acquisition.

Goodwill

Negative goodwill is capitalised where the consideration paid for net non-monetary assets is less than the fair value of assets and liabilities acquired. The negative goodwill is amortised through the profit and loss account over the period in which the net non-monetary assets are recovered.

Turnover

Turnover arises from the sales of goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer, which maybe on despatch, completion of the product or the product being ready for delivery, based on specific contract terms. Revenue from services provided by the Group is recognised when the Group has performed its obligations and, in exchange, obtained the right to consideration.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any reduction for recognised impairment in value with a corresponding charge to the profit and loss account.

Cost reflects purchase price or construction cost of the asset together with any incidental costs of bringing the asset into use.

Depreciation is applied on a straight-line basis so as to reduce the assets to their residual values over their estimated useful lives. The rates of depreciation used are:

Plant and machinery	4 – 15 years

Where any evidence of impairment is recognised, assets are written down to recoverable amount.

Investments

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

Operating leases

Rentals under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight-line basis over the lease term.

Notes to the financial statements

continued

Stocks

Stocks have been valued at the lower of cost and net realisable value. 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.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account.

Compound instruments

The component parts of compound instruments issued by the Group, such as the "A" Ordinary Shares in issue in the prior period, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument and the present value of forecast future payments associated with the liability. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. Finance charges associated with such instruments are spread over the life of the debt.

Deferred taxation

Deferred tax is provided on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Translation of foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All differences are taken to the profit and loss account.

Grants

Grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account in the same period as the related expenditure is incurred.

Pensions

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

Notes to the financial statements
continued

2. Segmental analysis

Turnover by destination

	2007 £'000	2006 £'000
United Kingdom	**1,794**	2,585
Other EU	**350**	428
Rest of World	**12,980**	5,157
	15,124	8,170

All turnover originates in the United Kingdom.

The Directors have not disclosed any other segmental information relating to turnover, profits/(losses) and net assets since they are of the opinion that to fully comply with the requirements of SSAP 25 'Segmental Reporting' would be seriously prejudicial to the interests of the Group.

3. Interest receivable and interest payable

	2007 £'000	2006 £'000
Interest receivable on bank deposits	**116**	15
Payable on bank loans and overdrafts	**(84)**	(87)
Notional interest on "A" Ordinary Shares	**–**	(145)
Total interest payable	**(84)**	(232)

4. Profit on ordinary activities before taxation

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

	2007 £'000	2006 £'000
Depreciation of tangible fixed assets:		
Owned assets	**203**	120
Profit on disposal of fixed assets	**(1)**	-
Amortisation of negative goodwill	-	(17)
Amortisation of grant receivable	**(12)**	(14)
Loss on foreign exchange transactions	**12**	27
Operating lease rentals:		
Land and buildings	**344**	259
Machinery and equipment	**8**	7
Exceptional operating items	**530**	–

The charge for exceptional operating items comprises costs relating to the Group's flotation on AIM of £125,000 (2006: £nil) and costs relating to an unsuccessful overseas acquisition of £405,000 (2006: £nil).

Notes to the financial statements
continued

5. Auditors' remuneration

	2007 £'000	2006 £'000
Fees payable to the Company's auditor for the audit of the financial statements	**5**	5
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**12**	11
Total audit fees	**17**	16
– Tax services	**25**	10
– Services as Reporting Accountants in relation to flotation	**75**	–
Total non–audit fees	**100**	10

6. Directors' emoluments

Particulars of Directors' emoluments are as follows:

	Salary and fees £'000	Benefits £'000	Bonus £'000	Total 2007 £'000	Total 2006 £'000	Pension Total 2007 £'000	Pension Total 2006 £'000
Non–Executive:							
R.L.Shacklady	55	–	–	**55**	12	**–**	–
N.F.Luckett	7	–	–	**7**	–	**–**	–
Executive:							
J.T.S.Hayward	74	1	31	**106**	92	**5**	2
J.D.Clark	46	1	18	**65**	–	**3**	–
Total emoluments	182	2	49	**233**	104	**8**	2

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

The number of Directors who are accruing benefits under money purchase schemes is two (2006: one).

Notes to the financial statements

continued

7. Employees

Particulars of employees, including Executive Directors:

	2007 £'000	2006 £'000
Wages and salaries	**1,471**	1,178
Social security costs	**156**	104
Other pension costs	**43**	13
	1,670	1,295

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

	2007 Number	2006 Number
Production	**39**	33
Selling and distribution	**4**	3
Administration	**4**	3
	47	39

The only employee costs of the Company are those of the Directors. These are included in note 6.

Notes to the financial statements

continued

8. Taxation

	2007 £'000	2006 (as restated) £'000
United Kingdom corporation tax		
Current tax on income for the year	**445**	93
Adjustments in respect of prior years	**(18)**	–
Total current taxation	**427**	93
Deferred taxation		
Origination and reversal of timing differences – current year	**25**	161
Adjustment in respect of prior years	**–**	20
Total Deferred taxation	**25**	181
Tax on profit on ordinary activities	**452**	274

Current tax reconciliation:	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	**1,409**	839
Theoretical tax at UK corporation tax rate 30% (2006: 30%)	**423**	252
Effects of:		
– non–deductible expenses	**70**	42
– capital allowances in advance of depreciation	**(25)**	(58)
– utilisation of tax losses brought forward	**–**	(103)
– income not assessable to tax	**–**	(5)
– movement in unrecognised losses	**–**	(24)
– adjustments in respect of prior years	**(18)**	–
– effect of rate change	**(17)**	–
– small companies relief	**(6)**	(11)
Current taxation charge	**427**	93

9. Earnings per ordinary share

Basic earnings per share has been calculated in accordance with FRS22 which requires that earnings should be based on the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year.

The calculation of basic earnings per share of 11.1p (2006: 7.7p) is based on the profit for the year of £957,000 (2006: £565,000) and on the weighted average number of shares in issue during the year of 8,615,812 (2006: 7,333,620).

Adjusted earnings per share are stated after adding back operating exceptional items totalling £530,000 less related taxation of £129,000 giving an adjusted earnings per share of 15.8p (2006: 9.7p after adjusting for the notional interest payable arising from the classification of "A" Ordinary Shares as debt in that year £145,000).

There were no options or similar instruments in place at 30 September 2006 or 2007 that would have had a dilutive effect upon the weighted average number of shares in issue during the year.

Notes to the financial statements

continued

10. Prior year adjustment

Within the documentation prepared for the Group's admission to AIM in June 2007, certain adjustments were made to the Group's results which have been fully reflected within these financial statements by way of a prior year adjustment. In addition, a finance charge and other reserve has been recognised in respect of the "A" Ordinary Shares to restate these shares at their fair value. These shares were converted to Ordinary Shares during the year and consequently the prior year adjustment has been reversed through reserves during the year ended 30 September 2007. As a result of these adjustments, opening net assets at 1 October 2005 have been reduced by £448,000, comprising a reduction in opening profit and loss reserve of £247,000, share capital of £147,000 and other reserve of £54,000.

The impact on the opening profit and loss account comprises:

1. The write off of costs previously capitalised and the resulting adjustment to depreciation – £240,000
2. Charge for a rent free period under a property lease – £82,000
3. The recognition of deferred consideration on a previous acquisition which had previously been expensed – £(44,000)
4. The impact of the above on the amortisation of negative goodwill – £(100,000) and taxation – £(55,000)
5. The reclassification of "A" Ordinary Shares from equity to debt and measurement of that debt at its fair value in accordance with FRS25 "Financial Instruments: Disclosure and Presentation", resulting in a cumulative interest charge of £124,000. This adjustment also reduced share capital by £147,000 and created an other reserve of £54,000.

The above adjustments have reduced reported profit for the year ended 30 September 2006 by £216,000, giving a total recognised loss of £664,000.

11. Intangible fixed assets

Negative Goodwill

	2007	2006 (as restated)
	£000	£000
Group		
Cost		
At 1 October and 30 September	(168)	(168)
Amortisation		
At 1 October	168	151
Credit for the year	–	17
At 30 September	168	168
Net book value		
At 30 September	–	–

Notes to the financial statements
continued

12. Tangible fixed assets

Group

	Plant and machinery (as restated) 2007 £'000
Cost	
At 1 October 2006	3,390
Additions	428
Disposals	(12)
At 30 September 2007	**3,806**
Depreciation	
At 1 October 2006	1,833
Charge for the year	203
Disposals	(4)
At 30 September 2007	**2,032**
Net book value	
At 30 September 2007	**1,774**
Net book value	
At 30 September 2006	**1,557**

13. Investments

Company

	Investment in subsidiary companies £'000
Cost and net book value	
Additions	1,001
At 30 September 2007	1,001

The principal subsidiaries are:

Name	Country of incorporation	Principal activity
Chesterfield Pressure Systems Group Limited ("CPSG")	England	Management company
Chesterfield Special Cylinders Limited ("CSC")	England	Manufacturing

The Company acquired 100% of the issued share capital of CPSG on 21 May 2007 via a share for share exchange and 100% ownership of CSC was transferred by CPSG to PT on 24 May 2007. Both transactions were undertaken at book value.

Notes to the financial statements
continued

14. Stocks

	2007 Group £'000	2006 Group £'000
Raw materials and consumables	**2,599**	376
Work in progress	**1,951**	905
	4,550	1,281

The replacement cost of stock is not materially different from the book value.

15. Debtors

	2007 Group £'000	2006 Group £'000	2007 Company £'000
Amounts: falling due within one year			
Trade debtors	**2,023**	2,583	**–**
Other debtors	**113**	64	**26**
Prepayments and accrued income	**1,019**	719	**31**
Amounts owed by group undertakings	**–**	–	**1,747**
	3,155	3,366	**1,804**

16. Creditors: amounts falling due within one year

	2007 Group £'000	2006 Group (as restated) £'000	2007 Company £'000
Current portion of long term loans	**80**	216	**–**
Short-term borrowings	**80**	216	**–**
Trade creditors	**1,339**	1,616	**20**
Corporation taxation	**362**	111	**–**
Other tax and social security	**45**	166	**7**
Other creditors	**–**	406	**–**
Deferred consideration	**125**	100	**–**
Accruals and deferred income	**3,839**	2,283	**303**
	5,790	4,898	**330**

Notes to the financial statements

continued

17. Creditors: amounts falling due after more than one year

	2007 Group £'000	2006 Group (as restated) £'000
Long term loans	**240**	541
Deferred consideration	**125**	150
'A' ordinary £1 shares	**–**	470
Other creditors	**148**	30
	513	1,191

Deferred consideration is payable over ten years ending in June 2014. The amount payable is not contingent.

Until the Company's flotation in June 2007, the 'A' Ordinary Shares carried rights to receive fixed dividends and were therefore valued at the present value of the future dividend payments and classified as debt as at 30 September 2006 with a notional interest expense being charged to the profit and loss account. During 2007 the holders of the 'A' Ordinary Shares relinquished their rights to the fixed dividends and accordingly these shares are now treated as equity.

The maturity profile of long term loans is as follows:

	2007 Group £'000	2006 Group (as restated) £'000
Due within one year	**80**	216
Due within one to two years	**80**	216
Due within two to five years	**160**	325
	320	757

Security is provided on the bank loan by a charge over the Group's assets.

Notes to the financial statements

continued

18. Financial instruments

The Group's policies in respect of foreign currency and interest rate risk management are set out in the financial instruments section of the Directors' Report on pages 6 and 11.

The Group held the following categories of financial instruments (excluding short term debtors and creditors) at 30 September 2007.

	2007 £'000	2006 £'000
Assets/(liabilities):		
Cash and deposits	**4,930**	998
Short term borrowings	**(80)**	(216)
Borrowings falling due after more than one year	**(240)**	(541)
"A" Ordinary Shares	**–**	(470)
Deferred consideration	**(250)**	(250)

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

An analysis of financial instruments by currency is as follows:

	Variable interest rate		Fixed interest rate		No interest	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Financial liabilities:						
Sterling	**320**	1,227	**–**	–	**250**	250
	320	1,227	**–**	–	**250**	250
Financial assets:						
Sterling	**106**	219	**3,500**	–	**46**	20
Euro	**940**	289	**–**	–	**–**	–
US Dollar	**274**	61	**–**	–	**–**	–
Norwegian Krone	**64**	409	**–**	–	**–**	–
	1,384	978	**3,500**	–	**46**	20

Financial liabilities comprise bank loans of £320,000 (2006: £400,000), deferred consideration of £250,000 (2006: £250,000) and in 2006 "A" Ordinary shares of £470,000 and loans from shareholders £357,000.

The interest rate on the bank loans of £320,000 is set at 2.75% above Bank of Scotland Base Rate. The loan is repayable at the rate of £20,000 per quarter.

The sterling balance of £3,500,000 at 30 September 2007 represents a single fixed term deposit for one month ending on 12 October 2007 at a rate of interest of 6.45%.

The Group maintains foreign currency denominated bank accounts that earn interest based on the Bank of Scotland base rate applicable to that currency.

The Group had un-drawn borrowing facilities available at 30 September 2007 of £1,250,000 (2006: £1,500,000).

Notes to the financial statements
continued

19. Provisions for liabilities

Deferred taxation comprises the following:

Group	Provided 2007 £'000	Provided 2006 (as restated) £'000
Accelerated capital allowances	**241**	216

The movement in the period was as follows:

	2007 £'000	2006 (as restated) £'000
At 1 October	**216**	90
Prior year adjustment – see note 10	**–**	(55)
At 1 October – as restated	**216**	35
Transferred from profit and loss account	**25**	181
At 30 September	**241**	216

Group	Unprovided 2007 £'000	Unprovided 2006 (as restated) £'000
Losses	**101**	112

20. Called up share capital

	2007 Number	2006 Number	2007 £'000	2006 £'000
Authorised				
Authorised ordinary shares of £1 each	**–**	300,000	**–**	300
Authorised ordinary shares of 5p each	**15,000,000**	–	**750**	–
Allotted, issued and fully paid				
Ordinary shares of £1 each		220,000	**–**	220
Ordinary shares of 5p each	**11,333,620**	–	**567**	–

The Company was incorporated on 2 March 2007 with issued share capital comprising 2 ordinary shares of £1 each. On 18 May 2007 the Company subdivided the 2 ordinary shares of £1 each into 40 ordinary shares of 5p each. On 21 May 2007 the Company issued 7,333,580 ordinary shares of 5p in a share for share exchange with the shareholders of Chesterfield Pressure Systems Group Limited. On 6 June 2007 the Company issued a further 4,000,000 ordinary shares of 5p at 150p per share when the Company floated on the AIM market of the London Stock Exchange.

Notes to the financial statements

continued

21. Reserves

	Share premium account 2007 £'000	Profit and loss account 2007 £'000	Other reserve 2007 £'000	Profit and loss account 2006 £'000	Other reserve 2006 £'000
Group					
At 1 October	–	731	(54)	413	–
Prior year adjustment (note 10)	–	–	–	(247)	(54)
As restated	–	731	(54)	166	(54)
Profit for the financial year	–	957	–	565	–
Arising on share issue	5,800	–	–	–	–
Costs relating to share issue	(459)	–	–	–	–
Release of financial liability	–	269	54	–	–
At 30 September	5,341	1,957	–	731	(54)
Company					
Profit for the financial year	–	498			
Arising on share issue	5,800	–			
Costs relating to share issue	(459)	–			
At 30 September	5,341	498			

The other reserve represents the excess of the fair value of a financial liability (the "A" Ordinary Share Capital) over its transaction value. This reserve has subsequently been released to the profit and loss account upon conversion of these shares to ordinary shares.

22. Reconciliation of movements in equity shareholders' funds

	Group 2007 £'000	Group (as restated) 2006 £'000	Company 2007 £'000
Profit for the financial year	957	565	498
Shares issued in share for share exchange	–	–	367
Reclassification of 'A' ordinary shares	147	–	–
Proceeds of share issue (net of costs)	5,541	–	5,541
Release of financial liability	323	–	–
Net change to shareholders' funds for year	6,968	565	6,406
Equity shareholders' funds at 1 October (as restated)	897	332	–
Equity shareholders' funds at 30 September	7,865	897	6,406

Equity shareholders' funds at 1 October 2006 have been restated from £1,561,000 to £897,000 to reflect the prior year adjustment as set out in note 10 (1 October 2005 restated from £780,000 to £332,000).

Notes to the financial statements

continued

23. Notes to the consolidated cashflow statement

a. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities:

	2007 £'000	2006 (as restated) £'000
Operating profit	**1,377**	1,056
Depreciation of fixed assets	**203**	120
Amortisation of negative goodwill	**–**	(17)
Profit on sale of tangible fixed assets	**(1)**	–
Increase in stock	**(3,269)**	(347)
Decrease/(increase) in debtors	**211**	(2,291)
Increase in creditors	**870**	2,625
Net cash (outflow)/inflow from operating activities	**(609)**	1,146

b. Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 (as restated) £'000
Increase in cash	**3,932**	596
Cashflow from decrease in debt	**437**	97
Decrease in net debt from cash flow	**4,369**	693
Reclassification of "A" ordinary shares as equity	**470**	–
Net debt at 1 October	**(229)**	(922)
Net funds/(debt) at 30 September	**4,610**	(229)

c. Reconciliation of net cash outflow to movement in net funds/(debt)

	1 October 2006 (as restated) £'000	Non cash movement £'000	Cashflow £'000	30 September 2007 £'000
Cash at bank and in hand	998	–	3,932	**4,930**
Bank loans	(757)	–	437	**(320)**
"A" Ordinary Shares	(470)	470	–	**–**
Net funds/(debt)	(229)	470	4,369	**4,610**

Notes to the financial statements
continued

24. Related Party Transactions

(a) South Yorkshire Investment Fund LP ("SYIF") was a holder of the 'A' Ordinary Shares in Chesterfield Pressure Systems Group Limited and is now a shareholder of Pressure Technologies plc. At 30 September 2006, the Group had a loan of £205,000 outstanding from SYIF which was included in creditors. This balance was fully repaid during the period. During the year interest totalling £12,000 was paid on the loan (2006: £20,000).

(b) Yorkshire & Humber Regional Venture Fund No.1 LP ("YHRVF") was a holder of the 'A' Ordinary Shares in Chesterfield Pressure Systems Group Limited and is now a shareholder of Pressure Technologies plc. At 30 September 2006, the Group had a loan of £152,000 outstanding from YHRVF which was included in creditors. This balance was fully repaid during the period. During the year interest totalling £15,000 was paid on the loan (2006: £24,000).w

25. Financial commitments

(a) *Capital commitments*

Commitments for capital expenditure entered into by 30 September 2007 were as follows:

	2007 £'000	2006 £'000
Contracted for, but not provided in the accounts	**66**	–

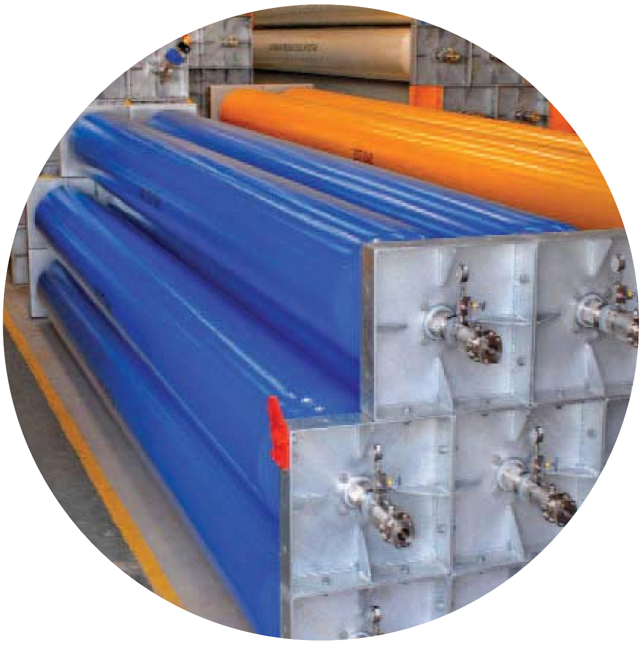
(b) *Leasing commitments*

The annual commitments under operating leases are analysed according to the period in which each lease expires as follows:

	2007 £'000	2006 £'000
Land and buildings, leases expiring:		
After more than five years	**403**	371
Other assets, leases expiring:		
Within one year	**8**	8

(c) *Other financial commitments*

At 30 September 2007, the Group had entered into a binding commitment with its primary supplier to make advance payments after the year end against outstanding purchase orders totalling £483,000 (2006: £1,605,000).



Pressure Technolgies plc
Meadowhall Road, Sheffield S9 1BT, UK

Telephone +44 (0) 114 242 7500
Fax +44 (0) 114 242 7501