PRESSURE TECHNOLOGIES PLC
ANNUAL REPORT 2012

A LEADING DESIGNER AND MANUFACTURER OF ENGINEERING SOLUTIONS FOR HIGH PRESSURE MARKETS

ACHIEVING OUR GOALS THROUGH A CLEAR BUSINESS STRATEGY

OUR STRATEGY

GOAL

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

STRATEGY

To identify and develop, profitable niche opportunities in growth sectors for pressure products and services through a combination of organic growth and acquisitions.

DELIVERY

1 IDENTIFYING OPPORTUNITIES (ORGANIC AND ACQUISITION)

Internal focus, draw from Group knowledge, market research and attending trade events

External focus, capitalise on feedback from customers, agents, distributors and suppliers

2 DEVELOPING PROFITABLE ORGANIC GROWTH OPPORTUNITIES

Structured development programmes with project champions subject to regular Group review

Minimise risk through evolutionary development

"Lean" business specialists at all operating companies to focus on total quality and profit maximisation

3 DEVELOPING PROFITABLE ACQUISITION OPPORTUNITIES

Clear Group acquisition criteria

- Minimise risk by focusing on closely related technologies and markets with overlapping customer base
- Profitable businesses with significant growth prospects
- Stable management teams capable of delivering growth

Rapid integration of management and financial control

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A LEADING DESIGNER AND MANUFACTURER OF HIGH PRESSURE ENGINEERING SYSTEMS, SERVING THE GLOBAL ENERGY, DEFENCE AND INDUSTRIAL GASES MARKETS.

DELIVERED

- Record revenue of £30.4 million (2011: £23.1 million)
- Operating profit post acquisiton costs and related amortisation at £1.8 million (2011: £0.7 million)
- Pre-tax profit of £1.8 million (2011: £0.6 million)
- Basic earnings per share 11.2p (2011: 3.5p)
- Adjusted earnings per share of 12.5p (2011: 6.2p)
- Operating cash flow of £1.9 million (2011: £0.9 million)
- Year end net funds of £2.7 million (2011: £2.9 million)
- Proposed final dividend of 5.0p per share (2011: 4.8p), giving a total dividend of 7.5p per share (2011: 7.2p)

BALANCED

- Engineered Products - poised to become largest part of the Group
- Cylinders - significant increase in rig and drillship activity and strong growth in service offerings
- Alternative Energy - ready for rapid expansion with 2013 being the crucial year

GROWING

- Strong order books and pipeline for Cylinders and Engineered Products
- Alternative Energy pipeline strong with number and size of projects increasing
- Focus on growing higher margin services in Cylinders
- New products planned for Engineered Products
- Engineered Products focus on “On Time In Full” delivery to take market share
- Seeking selective acquisition opportunities

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GROUP STRUCTURE

THE GROUP IS ORGANISED INTO THREE DIVISIONS: CYLINDERS (CHESTERFIELD SPECIAL CYLINDERS), ENGINEERED PRODUCTS (HYDRATRON AND AL-MET) AND ALTERNATIVE ENERGY (CHESTERFIELD BIOGAS).

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

OIL AND GAS

Chesterfield Special Cylinders / Engineered Products

£24.0m
(2011: £15.4m)
Sales

79%
(2011: 67%)
% of Group Revenue

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

Sales into this market grew by 52% in 2012. This was due to a combination of the resurgence of deep-water oil rig and drillship building where the Cylinder Division supplies air pressure vessels and an increase in oil well test and control panels sales in the Engineered Products Division.

The Engineered Products division has experienced a significant upturn in orders into 2013 as investment in oil well production equipment has led to an increasing requirement for the division's products, particularly wear parts for subsea trees.

The Cylinder Division, as well as serving the new equipment market, is also able to offer a range of in-situ inspection services that give reductions in cost and time for statutory pressure vessel retesting.

DEFENCE

Chesterfield Special Cylinders / Engineered Products

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£2.2m
(2011: £4.5m)
Sales

7%
(2011: 19%)
% of Group Revenue

The Group supplies the UK and international naval and aerospace markets. Our largest market in this sector is in the supply of ultra large cylinders into the naval market where we have a world-wide reputation for our expertise. We also supply small steel cylinders into the military aerospace sector and our Engineered Products division supplies test equipment into the UK defence sector.

2012 saw a reduction of sales into this market due to delivery phasing on naval projects. Orders were won for cylinders for the Astute 6 submarine and in-situ inspection services have been extended into this market.

In the defence aerospace market the Cylinder Division won a prestigious order to supply oxygen cylinders for the F-22 Raptor in the US.

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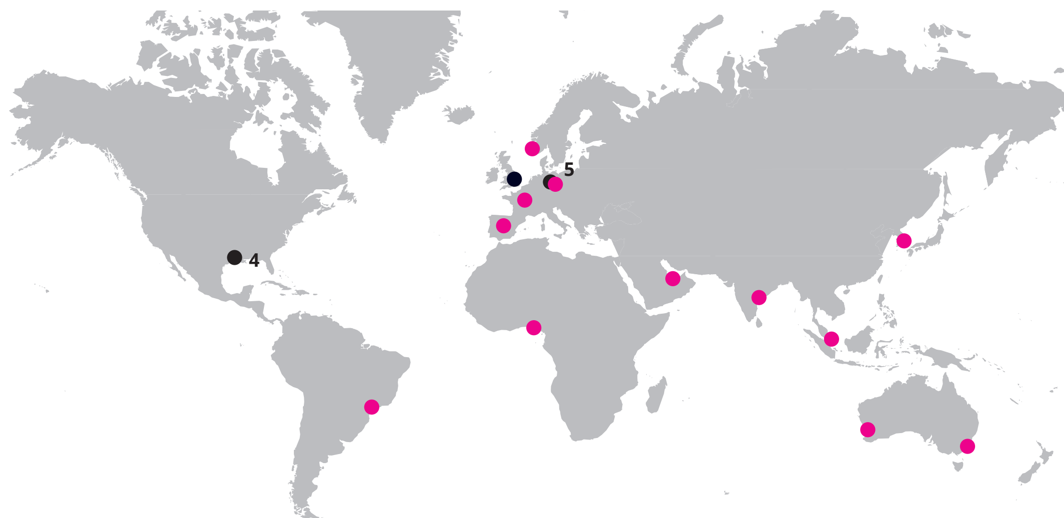
MANUFACTURING, SALES AND DISTRIBUTION



KEY

- Agents and distributers
- Manufacturing and sales

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

INDUSTRIAL GASES

Chesterfield Special Cylinders / Engineered Products

£3.9m
(2011: £2.3m)
Sales

13%
(2011: 10%)
% of Group Revenue

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

The key to winning business in this market is having a comprehensive network of sales staff and agents to identify projects as they arise and two major bulk storage projects were delivered in 2012.

Trailers for the transportation of bulk gases are also an important part of this market. The Group manufactures a range of high pressure gas trailers for this market sector and also provides a "one stop shop" management of reconditioning and retest of cylinders. Further opportunities will arise as Hydrogen and Compressed Natural Gas demand increases.

As with the Oil and Gas and Defence markets, continued growth was maintained in our in-situ testing service offering to this market.

ALTERNATIVE ENERGY

Chesterfield BioGas

£0.3m
(2011: £0.9m)
Sales

1%
(2011: 4%)
% of Group Revenue

The Group provides a range of equipment for the upgrade of biogas to biomethane for injection into the gas grid licensed to our Chesterfield BioGas subsidiary by world market leading Greenlane® Biogas.

In September 2010, we installed the UK's first biogas upgrader supplying biomethane to the national gas grid at a Thames Water site at Didcot. An order for a second upgrader was won in 2012 and delivery of this was completed shortly after the financial year end.

The slow development of this market was due to the late confirmation of the level of the Renewable Heat Incentive by Government which allows the technology to compete on a level playing field with subsidised combined heat and power plants. Confirmation of the level of this incentive has led to an increase in interest in upgrade projects by large utlity companies.

CHAIRMAN'S STATEMENT

Richard L. Shacklady
Chairman

I am pleased to report that the Group has delivered a much improved performance for the year ended 29 September 2012, with a continuation of the recovery previously reported in the first half interim statement.

We begin the new financial year with solid order books in our two main divisions, Engineered Products and Cylinders, and a number of contracts stretching beyond the current financial year, underpinning our confidence in the medium term prospects for the Group. Whilst the oil and gas market remains the largest sector for the Group, the businesses are now better balanced both by product sector and customer geographic location.

The strength of the Group's balance sheet underpins the Board's strategy for the growth of the Group. Our prime objective is to penetrate select growth market sectors which offer synergies to our core businesses and provide niche, design and technology driven, high margin products for critical applications, through organic development programmes or by acquisition.

Results

Group revenues for the year ended 29 September 2012 increased almost 32% to a record £30.4 million from £23.1 million in 2011. Profit before taxation saw a threefold increase to £1.8 million from £0.6 million in 2011, giving basic earnings per share of 11.2p compared to 3.5p.

We continue to maintain a strong balance sheet through focussing on operating cash and working capital controls across the Group's Divisions and net cash at the year end was £2.7 million, after outflows of £0.8 million on deferred acquisition costs, compared to £2.9 million in 2011.

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EMPLOYEE DEVELOPMENT IS ESSENTIAL FOR OUR CONTINUED SUCCESS

As a niche engineering business it is vital that we continue to invest in our employees at all levels to ensure business continuity and growth. In the UK we operate an extensive apprentice scheme and structured training programmes covering the whole spectrum from school leavers through to post graduate qualifications. All senior engineering and operations managers in our UK based companies started their working life as apprentices.

Given our strong balance sheet and confidence in the medium term prospects for the Group, the Board is proposing a final dividend of 5.0 pence per share, giving a total of 7.5 pence per share for the year. This represents an increase of 4% over 2011. If approved, the final dividend will be paid on 8 March 2013 to shareholders on the register at the close of business on 15 February 2013.

The Board is committed to maintaining a progressive dividend policy.

Trading

Demand from the global offshore oil and gas drilling operators has continued to firm-up, reflecting a return to higher levels of exploration and production by the major oil and gas producers, in particular, and activity levels generally across the wider industry.

The Group has significant interests in two sectors of this market; deepwater oil and gas drilling equipment and oilfield well head equipment and controls, including the rapidly developing subsea well head equipment sector.

Our Engineered Products Division, which supplies the oilfield well head controls and equipment sectors has continued to benefit from sustained high levels of oil and gas production both onshore and offshore. The subsea well head equipment sector experienced a period of flat demand for some six months and is now moving ahead strongly with new offshore fields moving into the production phase.

CHAIRMAN'S STATEMENT CONTINUED

The Cylinder Division has seen a significant increase in rig and drillship activity and in the defence sector we maintain our market leading position at home whilst increasing sales into overseas defence programmes. Further business has been secured from overseas navies and, in the UK, we have taken orders for BAE's Astute boat 6 submarine. As the UK MoD source for in-service and after market cylinder maintenance and support for the Royal Navy, we have responsibility for the management of through-life capability for all high pressure cylinders including in-situ inspection.

Our facilities in the industrial gases storage and transportation market have been further developed, resulting in record levels of activity in this sector and growing penetration of new accounts. This in turn provides the platform for further growth on the back of compressed natural gas (CNG) and hydrogen being recognised across Europe as alternatives to traditional fuels.

We continue to believe that the best long term prospects for the Group lie in the global energy markets and particularly in the equipment required for exploration and production of hydrocarbons.

In our Alternative Energy Division, Chesterfield BioGas has been very active throughout the year promoting and tendering for biogas upgrade plant and enjoys a high profile in this market. Demand for UK biogas upgrade plant is still in early phase development with, so far, limited conversion from the project stage, which is very active, into firm orders.

Our second biogas upgrading installation, however, will be completed in the 1st Quarter of the coming financial year and we are expecting to see a number of the outstanding major quotations converted into firm orders for delivery in mid 2013 and beyond.

EVOLUTIONARY PRODUCT DEVELOPMENT GIVES LOW COST, LOW RISK ORGANIC GROWTH OPPORTUNITIES

Across the Group, an evolutionary approach to product development is encouraged. This not only minimises the costs of development but also reduces the risks inherent in launching new products. Pictured above is a helium leak test gas booster system launched by Hydratron at the ADIPEC 2012 trade show in Abu Dhabi. An evolutionary development from the standard gas booster, it allows precise concentrations of helium to be injected into pressure systems as part of leak testing.

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We continue to believe that the best long term prospects for the Group lie in the global energy markets and particularly in the equipment required for exploration and production of hydrocarbons.

The Board believes that there is major UK potential for this technology in the longer term. However regular reviews on the division's progress are being undertaken and we recognise that 2013 is a crucial year for Chesterfield BioGas.

Prospects

The Engineered Products Division is ready to deliver further growth; the facility in North America has been re-structured and is very well positioned to take advantage of a buoyant US market for its well control products. Additionally, the seabed well control equipment market has rebounded after a period of stagnation and orders from this sector are particularly buoyant.

Having recovered strongly in 2012, we expect growth in the Cylinder Division to moderate this year, not least due to increased competition from the Far East in the oil and gas market. However, the business does benefit from having a large forward order book, market leadership in the defence sector and growth positions into diversified markets.

We will continue to seek acquisitions that suit our profile and will fit into and enhance the Engineered Products Division. It is now positioned both geographically and in product range to become a significant player in the oilfield control and equipment sector and we believe it is proving to be a platform for growth.

Richard L. Shacklady
Chairman
4 December 2012

CHIEF EXECUTIVE'S STATEMENT

John Hayward
Chief Executive

Pressure Technologies ("PT" or "Group") has made considerable progress in the last 12 months. We have delivered better results and have made improvements across the Group to create a more balanced business portfolio. This is highlighted by the expansion of sales in the Engineered Products Division and the development of new service offerings in the Cylinder Division.

PT is growing and that growth is now better balanced across the Group's divisions and markets.

CYLINDER DIVISION

Sales: £16.3 million (2011: £11.0 million)
Operating profit: £2.3 million (2011: £1.5 million)
Net Assets: £6.8 million (2011: £6.9million)

Chesterfield Special Cylinders ("CSC") grew strongly, as a direct result of the resurgence in the building of deepwater semi-submersible oil rigs and drill ships, following a prolonged downturn, caused, initially, by the global financial crisis and exacerbated by the crisis of confidence following the sinking of Deepwater Horizon in the Gulf of Mexico in 2010.

Air Pressure Vessels ("APVs") for motion compensation systems on 10 drillship projects were delivered in the year, compared to three in 2011. We currently have orders for seven projects in 2013, compared to six at the same stage last year. However, market dynamics have changed considerably and margins are under acute pressure from Asian competition, particularly South Korea, and we expect to see a declining market share for projects built in South Korean shipyards. This is compounded by a weaker Euro, as sales into this market are Euro denominated.

We are, however, actively pursuing opportunities with a number of new entrants into the motion compensation system market who need the design expertise of CSC. Opportunities will also open up away from South Korea as Brazil expands shipyard capacity to build oil rigs and drillships.

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2012 was a turning point for the Group, as we returned to growth and delivered market expectations.

As expected, sales into the naval defence market were materially lower than in 2011, as a result of the phasing of projects rather than a downturn in the market. In August, CSC won the contract to supply the high pressure cylinders for the sixth Astute class submarine, HMS Agamemnon, which will be delivered over 2013 and 2014. The order for cylinders for the seventh and final Astute class submarine is expected in 2013 for delivery over 2014 and 2015 and we have begun preliminary design work on the cylinders for the Trident replacement.

We have continued focus on expanding our customer base in the naval defence market and have strengthened our design team with an experienced naval cylinder designer. Building on our expertise on cleanliness standards developed for the oil and gas industry, we won a contract from BAE to supply a service cleaning cylinders for oxygen containment. This demonstrated CSC's technical capabilities and its flexibility. The process was developed and capital equipment was procured and installed in a six week period to meet an urgent customer requirement. CSC is now planning to market this service to other potential customers, building oxygen systems. The contract to maintain the Royal Navy's stores of high pressure cylinders, won last year, has expanded rapidly with a number of planned submarine refit projects increasing the value of this contract, as well as giving more opportunity to sell in-situ inspection services.

The Small Cylinder market stabilised in the year with an increase in military aerospace spending, which improved margins in this market. The military market has been more resilient than we forecast and in August we were awarded the contract to supply steel high pressure cylinders on the initial build programme of the F22 Raptor. The development of the type IV composite has been successfully completed but, as yet, we have not identified a new commercial platform into which this can be built and consequently we have amortised the £224,000 development costs incurred to date.

FLEXIBILITY AND SPEED OF RESPONSE ARE CRITICAL ORDER WINNING CRITERIA FOR CHESTERFIELD SPECIAL CYLINDERS

Typical of this approach was an urgent new requirement from the U.S. Air Force (USAF) for high pressure cylinders for its fleet of F-22 Raptors. The first delivery of CSC's cylinders to the USAF was accomplished in record time, with CSC receiving the order on a Monday and the initial batch being delivered to Seattle, Washington in time for test flights the following Friday.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

This was always viewed as a long term development and we are well placed to move into the composite market as new opportunities arise.

The high pressure trailer market saw a reduction in reconditioning and refurbishment due to the phasing of statutory inspection within the BOC trailer fleet but we supplied two new trailers to Air Liquide and Linde France. Overall sales were slightly higher and margins slightly lower, as a result of the material content in the new trailers. CSC's new sales manager in Germany has made significant inroads with the large industrial gases companies in Europe. This, coupled with the financial instability of a major European competitor, puts CSC in a strong position in this market. With the forecast growth of the market for the transportation and bulk storage of hydrogen and CNG, the medium and long term prospects for this market are very promising.

Our in-situ inspection service grew fourfold in the year and we have a team solely dedicated to the development of this offering. Immediate opportunities for growth exist in the defence and oil and gas markets. In the medium term, the increase of high pressure bulk storage of hydrogen and compressed natural gas for alternative fuels will be a source for further growth. In-situ inspection creates a new revenue stream from the knowledge base of CSC. It is a high margin service offering, which is not subject to the pricing pressures created by our low cost competitors in the ultra large cylinder manufacturing market.

Manufacturing continued to focus on "lean" initiatives. A major review of trailer build was carried out, creating significant improvements in strip down and build times. A similar initiative is underway on the ultra-large finishing line. These initiatives are team based, owned and run by the shopfloor employees working on the product. Further investment was made in CSC's IT systems with the introduction of a more sophisticated finite capacity scheduling system and shop floor data capture. This allows efficient real time planning of resources to further improve efficiency. The major items of capital spend in the year were the oxygen cleaning facility and replacement overhead cranes. Together, these accounted for 50% of the total capital spend of £446,000.

The balance was investment in a number of process improvements, particularly in the forging and washing processes. Capital expenditure in 2013 is expected to be at a similar level to 2012 with the major focus being on process efficiency. The key issue for CSC is to develop high added value service offerings quickly, to offset the effects of margin erosion from low cost competitors and the weak Euro. The business has the energy, the expertise and the people to achieve this effectively.

ENGINEERED PRODUCTS

Sales: £13.9 million (2011: £11.2 million)
Operating profit: £1.0 million (2011: £1.0 million)
Net Assets: £7.7 million (2011: £6.5 million)

The division is comprised of Hydratron Ltd in Altrincham, Hydratron Inc in Houston, Texas and Al-Met Ltd in Pontyclun, South Wales. The Hydratron businesses manufacture a range of 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. Al-Met produces wear resistant components in a range of high alloy steels and tungsten carbides for use in high-pressure choke and flow control valves, designed to regulate flow volumes in extremely demanding applications in the subsea and surface oil and gas industries.

Hydratron Ltd

Hydratron Ltd had an excellent year with sales growing by one third and operating profits doubling. The sales, design and development teams were strengthened during the year. New products launched in the year included a 30,000 psi pump for very high pressure testing applications, a helium leak test gas booster system capable of injecting precise concentrations of helium and a pulse test system for testing aerospace pressure transducers.

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With immediate organic growth prospects the Engineered Products Division is expected to become the largest part of the Group within 18 months.

HIGH PRESSURE COMPONENT TESTING EQUIPMENT OPENS NEW MARKETS TO HYDRATRON

Hydratron's range of test equipment for valves and hoses are not just used in the oil and gas market. Sales are regularly made into the industrial gases, power and defence markets for component testing. The product range was extended during the year to include pulse testing systems for life cycle testing of pressure transducers which gives exciting new opportunities in the aerospace and automotive markets.

The latter project involved the recruitment of an electronics engineer, giving the business self-sufficiency in the design and development of automated plc controlled systems. Several new product opportunities have been identified and an additional full time development engineer is being sought to speed up the development cycle.

The assembly section of the business was reorganised to split standard product assembly from the bespoke systems. This has improved the efficiency of both areas. Due to the pace of growth in the business, the Operations Manager role is to be split in January with the incumbent becoming Technical Manager responsible for design, engineering and logistics and a new, experienced lean manufacturing engineer joining as Manufacturing Manager responsible for the machining and assembly areas.

Due to the nature of the business, little capital expenditure is required. IT systems will be upgraded in 2013 but beyond that no other major spend is planned.

Hydratron has an excellent reputation for its design and build ability. This, allied to a strong sales team, augmented by a distributor network in key market locations and the general level of market activity, gives grounds for optimism of further progress in 2013.

Hydratron Inc
Hydratron Inc, after a good first half, failed to deliver its second half order book profitably, despite a 50% increase in sales. We did not have sufficient management resources of the right calibre in the business which has now been remedied. An experienced general manager was appointed in October 2012 with the remit to grow the business profitably. Being located in Houston, the business is situated close to all the major oilfield wellhead equipment and control system manufacturers and is, therefore, in a prime location from which to grow. It has already established a reputation for the same design and build capability as its UK sister company and is expected to make significant progress in 2013.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

Al-Met

Al-Met had a challenging year. Sales were at the same level as 2011 but the phasing of these was very heavily skewed with low sales in the first half and a strong third quarter which tailed off into the fourth quarter. Concurrently, market forecasts and customer orders for 2013 were showing a significant increase. The decision was taken to hold the level of the shopfloor workforce and strengthen the management and engineering team with lean manufacturing specialists ahead of this increase. As a result of these factors, operating profits were down two thirds on 2011. The expected growth has materialised, following these changes, and the year end order book was 73% higher than at September 2011 and production schedules are full through to the end of February 2013. An additional afternoon shift has subsequently been recruited to meet the increased loading and reduce overtime.

There are two major reasons for this growth. A significant proportion of Al-Met's turnover is wear parts for subsea tree valves. This market is growing rapidly as more deepwater oil wells come on stream. Market forecasts and customer feedback suggest a 40% increase in this market in 2013 and continued growth into 2014. Also, a UK competitor ceased production in October which has compounded the increase.

As a division, it was disappointing that operating profits did not grow year on year. Increased profits at Hydratron Ltd were offset by the reduction in profitability at Al-Met and losses at Hydratron Inc. The outlook for 2013 is good and I expect the benefits of the changes made in 2012 to feed through into improved profits in 2013. The organic growth opportunities for this division are immediate and we expect Engineered Products to become the largest division of the Group, in terms of sales revenues, within the next eighteen months.

Additionally, we are pursuing a number of acquisition opportunities to add further breadth to the product range of the division.

In the medium to long term, on time in full delivery ("OTIF") remains the key to success for the division.

Specific targeting of customers has proved that where delivery OTIF is met, order intake improves. In the current buoyant environment, this advantage is masked by general growth but, as our companies are significantly smaller than their competitors, we expect to take market share, even when markets are declining, if we can consistently deliver OTIF.

ALTERNATIVE ENERGY

Sales: £0.2 million (2011: £0.9 million)
Operating Profits: £(0.5) million (2011: £(0.5) million)
Net Assets: £1.6 million (2011: £1.7million)

This was an important year for Chesterfield BioGas ("CBG"), our start-up alternative energy equipment business. An order was secured for an upgrader, our second into the biogas to grid ("BtG") market. This was due for installation in September 2012 but a road accident, which occurred during delivery, damaged the equipment and delayed installation to October. But for this, operating losses would have been halved in the year. More importantly, confirmation by Government of the structure of the Renewable Heat Incentive ("RHI") for BtG has increased the number and size of potential projects.

In previous years, CBG has been quoting a handful of small, "pilot" projects with larger projects only at the feasibility stage. Now, quotations are more numerous and the project size has increased to fully commercial sized plants as large utility companies look to enter the market. This matches the pattern experienced in other countries, where adoption of this technology is more advanced.

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We have delivered better results and have made improvements across the Group to create a more balanced business portfolio.

DEVELOPMENT OF ADDED VALUE SERVICES MAKING KNOWLEDGE PAY

The Group has wide areas of expertise in pressure containment and control. This not only leads to the development of new products but also to the development of value added services for our customers. For example, at CSC, a service launched to support the management of retest and refurbishment of high pressure gas trailers has led to the launch of a service for the in-situ inspection of cylinders to save our customers time and the expense of returning cylinders for statutory retest.

Summary and outlook

2012 was a turning point for PT, as we returned to growth and delivered market expectations. The result was underpinned by recovery in the Cylinder Division's main market and the Group's other two divisions making significant progress. This progress, which has created a better balanced Group, is yet to be reflected in bottom line performance.

Looking to 2013, the Cylinder Division will face stiffer competition in its core oil and gas market and the challenge is to speed up the development of high added value services and new customers. There is significant potential for revenue growth in the Engineered Products Division, which this year must lead to bottom line growth. The Alternative Energy Division, Chesterfield BioGas, appears set for major growth and 2013 will be the crucial year for this business.

The clear message is that Pressure Technologies delivered in 2012; it is a better balanced Group, growing strongly in market sectors where its expertise is recognised and valued, seeking opportunities for further expansion through selective acquisitions.

John Hayward
Chief Executive
4 December 2012

FINANCE DIRECTOR'S REPORT

James Lister
Group Finance Director

Overview

The Group's revenue grew to £30.4m (2011: £23.1m). The growth was driven principally by a recovery in CSC's oil and gas business, where sales increased from £4.3m to £10.9m, and growth in the Engineered Products division.

Operating profit increased from £0.7m to £1.8m mainly as a result of the benefits to CSC from operational gearing following the recovery in the level of their business with the oil & gas sector. Historically, the Group has benefitted from a high market share for cylinders used in deep water motion compensation systems but, with increasing competition, pricing and volume pressures are expected to be a feature going forward.

The Group seeks to target niche markets with good growth prospects and uses return on revenue as a key performance indicator. Our aim is a target return of 15% before taking account of the cost of acquiring subsidiaries and the subsequent amortisation of the intangible assets so acquired. The Alternative Energy Division is also excluded from this target as it is still considered to be in start-up mode. Using this measure we achieved an 8.1% return in 2012 (2011: 6.7%) with the expectation that this can be raised further with the benefits of lean manufacturing and operational gearing.

Foreign exchange

PT operates in international markets and accordingly accepts contracts denominated in currencies other than Sterling.

Whilst the level of exposure at any point in time is dependent on the nature of individual contracts, the Group usually has a partial hedge in place as both purchases and sales are made in Euro and also to a lesser extent in US dollars.

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The Group seeks to target niche markets with good growth prospects with a target return on revenue of 15%.

With the Group's manufacturing activities being based mainly in the UK, management estimates that a 5% weakening of the Euro against Sterling would cost the Group circa £0.2m in profit before tax in any one year. The effect on the Group of movements in the US dollar to Sterling exchange rate, as long as it is within normal parameters, is not significant.

At the end of September 2012, the Group had contracts in place to sell Euros 3.5m at an average exchange rate of 1.26 to Sterling (2011: nil).

Treatment of acquisition related costs in the engineered products division

The Board intends to grow the Group both organically and by acquisition and consequently both goodwill and intangible assets are expected to be a recurring theme within the annual financial statements.

In the interest of clarity, acquisition costs and the amortisation of intangible assets resulting from acquisitions is shown separately in the Income statement. The relevant costs for the last two years, all of which relate to the engineering products division, are as follows:

	2012 £m	2011 £m
Cost of acquiring Hydratron	**—**	0.1
Amortisation of intangible assets acquired with Al-Met and Hydratron	**0.2**	0.3
Total	**0.2**	0.4

The remaining carrying value of these intangible assets totalling £0.5m will be amortised over the next three years.

The effect on earnings per share of these adjustments is:

	2012	2011
Earnings per share as reported	**11.2p**	3.5p
Adjustment for acquisition costs and related amortisation	**1.3p**	2.7p
Adjusted earnings per share	**12.5p**	6.2p

Amortisation of other intangible assets

The cost of the Chesterfield BioGas licence and distribution agreement with Greenlane Biogas is being amortised over a period of 15 years; this being the period over which significant revenues are expected to be generated.

Development costs incurred in the Cylinder Division in 2011, totalling £0.2m, have been expensed in 2012, as these costs no longer meet the recognition requirements of IAS 38.

Taxation

The effective tax rate for the group in 2012 was 28.5% (2011: 30.6%), which is higher than the UK standard rate of 25% due to the effect of unrelieved losses in the US.

FINANCE DIRECTOR'S REPORT CONTINUED

Cash flow

The Group has a strong balance sheet with net funds of £2.7m (2011: £2.9m) and an unused overdraft facility of £2m.

The movement in cash flow can be summarised as follows:

	2012 £m	2011 £m
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**2.9**	1.5
Movement in working capital	**(0.4)**	1.6
Capital expenditure (net of disposals)	**(0.6)**	(1.2)
Development costs capitalised	**—**	(0.2)
Extension of biogas licence	**—**	(0.8)
Operating cash flow	**1.9**	0.9
Acquisition of Hydratron (2012: deferred consideration paid)	**(0.8)**	(2.8)
UK Corporation tax paid	**(0.5)**	(0.9)
Dividends paid	**(0.8)**	(0.8)
Net movement	**(0.2)**	(3.6)

Cash flow in 2012 was strongly positive at the operational level.

The build up of working capital reflects the recovery in activity in CSC and growth in the engineering products division.

Net capital expenditure at £0.6m was in-line with the depreciation charge.

The deferred consideration of £0.8m re the acquisition of Hydratron was paid during 2012. There are no further deferred consideration payments to be made for either Al-Met or Hydratron.

The acquisition of Hydratron cost a total of £3.6m, comprising purchase consideration of £3.3m and £0.3m of borrowings assumed on takeover. In addition £0.1m of acquisition costs were expensed through the Income Statement in 2011.

It is pleasing to note that in both of the last two years our acquisitions have generated profits of over £1 million on an initial outlay of £5.8 million (including net borrowings assumed).

James Lister
Group Finance Director
4 December 2012

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KEY PERFORMANCE INDICATORS ("KPIS")

The Board uses key performance indicators when assessing the performance of the Group. These KPIs are divided into three sections:

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

The efficiency of converting sales into profits is measured in terms of return on revenue. Return on revenue is calculated as operating profit pre acquisition costs and related amortisation divided by revenue. It is also stated after excluding Chesterfield BioGas which is still considered to be in start-up mode (see note 1 for the detailed segmental analysis). The Group target return on revenue is 15%.

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

Corporate Social Responsibility (CSR)
This is sub-divided into two areas:

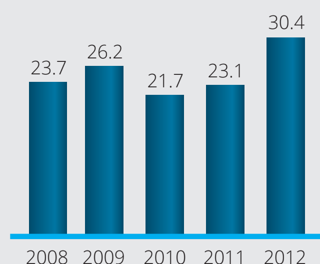
Health & safety
The measure used is reportable accidents where the target is zero across the Group.

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

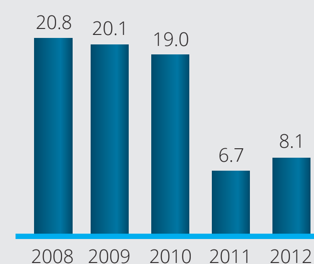
A full-time health, safety and environmental manager is employed by Chesterfield BioGas but has responsibility for these matters across the Group and reports directly to the Group Chief Executive on these matters.

Environmental incidents are not graphed as there has been no reportable incident for the five year period.

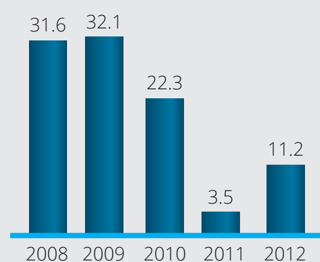
Revenue - £ million



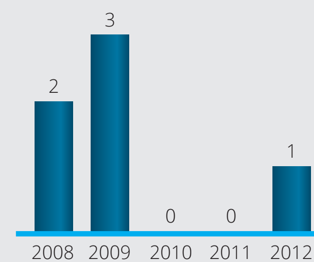
Return on Revenue - %



Earnings Per Share - Pence



Reportable Accidents



PRINCIPAL RISKS AND UNCERTANCIES

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

Risk and Impact	Management Strategy
Market and customer concentration The Group's largest subsidiary, CSC, has its revenue concentrated in the deep water oil and gas sector. Changes in activity in this market, therefore, have a significant impact on Group results. Additionally, the number of customers in this market is low and loss of market share would have a significant impact on Group results.	**Development of markets, products and services** The Group has a three-fold strategy to reduce its exposure to this market. First, significant management resource is allocated to service the requirements of customers in this market to maintain customer loyalty. Second, CSC has development programmes for new products and services to dilute the proportion of total revenues into this market. Third, growing the other divisions of the Group both organically and by acquisition.
Competitive pricing pressures CSC operates in certain markets where its major competitors are based in low cost countries which have considerable cost advantages and they are able to undercut on pricing.	**Reduced dependence on price sensitive business** The Group has set minimum gross margin levels and does not reduce prices to unacceptable levels as experience indicates that these pressures reduce in the medium term. Product development is pursued in order to maintain a technical lead and a range of high value added service offerings is under development to reduce dependence on markets where this pricing pressure exists. Cost reduction through lean manufacturing and supplier development reduces the impact of pricing pressures.
Contract delay CSC earns a significant amount of its revenues from large contracts in the deepwater oil and gas and defence markets and CBG is a start-up business in the Biogas to Grid market. In most cases, individual contracts in these two divisions are material to Group revenues and the timing of such contracts is influenced by a number of factors outside the control of the Group.	**Focused project management** Major contracts are managed through project teams to ensure all elements in the contract quotation and negotiation process that are under our control or influence are managed efficiently and effectively. However, the impact of the timing of contracts on half-year and full-year revenue remains a significant risk to the Group.

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Risk and Impact	Management Strategy
Supplier concentration The Group derives a high proportion of its raw material supplies from a small number of key suppliers, some of whom are competitors.	**Managing and developing the suppliers** To reduce the inherent risk of supply from competitors, requirements are split across the available supplier base. A constant review is maintained to identify alternative suppliers subject to constraints on pricing and quality.
Production concentration Each product group operates from a single manufacturing site. In the event of a prolonged interruption to operations, the Group may not have the ability to transfer its manufacturing activities to other facilities.	**Active site management** Health, safety and environmental risks which could result in site closure are managed on a day to day basis by a designated manager at each site.
Equipment concentration The Group has a number of large pieces of equipment at CSC for which it would be uneconomical to duplicate that equipment to guarantee continuity of supply in the case of major equipment failure. A failure in one of these key pieces of equipment could lead to a prolonged interruption to operations.	**Active equipment management** Key pieces of equipment are subject to on-going maintenance programmes and strategic spares for critical components are held. There remains a risk that, if a major component for which spares cannot be held failed, operations could still see a prolonged interruption.
Staff concentration The Group is small and relies on a small number of key Directors, senior managers and specialists. A loss of a small number of such staff could have a major impact on Group revenues and development.	**Succession planning** As the business grows, increases in staff numbers make succession planning easier and recruitment is already carried out to ensure that skills and expertise can be duplicated. Key man insurance is in place for the Group's Chief Executive and Group Finance Director.
Foreign Currency The Group purchases some of its raw materials in both US Dollars and Euros and receives payment for some of its products in Euros. Movements in exchange rates could potentially impact Group revenues.	**Hedging of Exchange Rate Exposures** The Group has natural hedges for much of its foreign currency exposure. Regular reviews of the net exposure are maintained and where it is deemed necessary the exposure is reduced by the use of forward exchange contracts subject to limits in the Group's banking facility.

DIRECTORS AND ADVISERS

RL Shacklady
Non-executive Chairman

JTS Hayward
Chief Executive

PS Cammerman
Non-executive Director

TJ Lister
Finance Director

NF Luckett
Non-executive Director

RL Shacklady
Non-executive Chairman (64)
Richard is a partner with RLS Associates where he works as a management consultant. He joined the Pressure Technologies business at the time of the MBO in 2004. He has extensive experience of working in several roles in the engineering sector, latterly as Managing Director of Doncasters UK Holdings plc. Richard is also the Non-executive Chairman of Langley Alloys Limited.

JTS Hayward
Chief Executive (51)
John has worked for the Company for 15 years, initially as Finance Director of Chesterfield Cylinders Limited before assuming additional directorial responsibility for the then Special Products division in 2000. He led the MBO in 2004 and then assumed the role of Chief Executive. John is a qualified accountant and has previously worked for Boots, Courtaulds, United Engineering Steels and T&N. He holds a degree in Physics from Oxford University.

TJ Lister
Finance Director (57)
James joined the Company in 2008. His previous engineering industry experience includes seven years with The 600 Group Plc in roles both as Group Financial Controller and as Finance Director of 600 Lathes. Prior experience included 15 years with Bridon in a variety of roles including Group Development Manager where he acted as the in house mergers and acquisitions manager. James is a qualified chartered accountant.

PS Cammerman
Non-executive Director (70)
Philip has over 20 years industrial experience in engineering and hi-tech industries and has worked in both the UK and USA. He spent 23 years in the venture capital industry, playing a major part in the development of the YFM Group into one of the most active investors in UK SME's. He retired from all YFM Group businesses in April 2008. Philip is Chairman of the remuneration committee.

NF Luckett
Non-executive Director (70)
A qualified chartered accountant, Nigel is a former partner of Thomson McLintock & Co and latterly KPMG and has over 40 years of extensive corporate finance, insolvency and auditing experience. Since his retirement from KPMG in 1995 he has had a number of Non-executive Director and Chairman positions in the broad engineering sector. Nigel is Chairman of the audit committee.

Company information

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

Secretary
TJ Lister

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Bankers
Lloyds Bank
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Sheffield, S1 1HP

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield, HD8 0LA

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the period from 2 October 2011 to 29 September 2012.

Principal activities
Pressure Technologies plc ("PT") is 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.

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

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

Results and dividends
The consolidated statement of comprehensive income is set out on page 27. The profit on ordinary activities before taxation of the Group for the period ended 29 September 2012 amounted to £1.778 million (2011: £0.578 million).

An interim dividend of 2.5p per share was paid during the period (2011: 2.4p). The Directors recommend the payment of a final dividend of 5.0p per share (2011: 4.8p).

Business review
The Chairman and Chief Executive's Statements on pages 4 to 13 gives a detailed review of the current year's performance.

The operational overview is contained in the Chief Executive's statement on pages 8 to 13.

The financial review is contained in the Finance Director's report on pages 14 to 16.

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 2012 (2011: nil).

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Substantial shareholdings

As at 25 November 2012, the following held or were beneficially interested in 3% or more of the Company's issued ordinary share capital:

	Number of shares	Percentage of issued share capital owned
D & A Income	1,045,000	9.2%
JTS Hayward	1,002,221	8.8%
Artemis	921,667	8.1%
Hargreave Hale	770,767	6.8%
JW Brown	625,454	5.5%
A Harding	588,333	5.2%
Unicorn	486,767	4.3%
YFM Private Equity	483,633	4.3%
Investec	455,710	4.0%
The Liontrust Intellectual Capital Trust	381,025	3.4%
PL Redfern	345,000	3.0%
South Yorkshire Investment Capital Fund	342,224	3.0%

Directors and their interests

The present Directors of the Company are set out on pages 20 and 21.

Ordinary shares	**29 September 2012 No.**	1 October 2011 No.
RL Shacklady (including 22,500 shares held by his wife)	**64,500**	60,500
JTS Hayward	**1,002,221**	1,002,221
PS Cammerman	**33,395**	26,395
TJ Lister	**9,800**	3,750
NF Luckett (including 7,667 shares held by his wife)	**52,000**	52,000

Share options

On 23 February 2012, options were granted over 53,156 ordinary shares under the rules of the Pressure Technologies plc Performance Share Plan – Enterprise Management Plan and 73,089 ordinary shares under the rules of the Pressure Technologies plc Performance Share Plan – Share Options Plan. Both sets of options have an exercise price of 150.5p. These options are exercisable between 3 and 5 years following the date of grant.

On 6 August 2012, options were granted over 52,440 ordinary shares under the rules of the Pressure Technologies plc Save-As-You-Earn scheme at an exercise price of 150p. These options are exercisable after 3 years and lapse 6 months after this date if they are not exercised.

On 29 September 2012, there were 128,537 (2011: 106,815) outstanding and exercisable options under the Save-As-You-Earn scheme, 104,768 (2011: 73,117) outstanding and exercisable options under the Enterprise Management Plan and a further 73,089 (2011: nil) outstanding and exercisable options under the Share Options Plan.

The Directors' interests in share options are as follows:

	Date granted	Number	Option price
TJ Lister	7 October 2009	51,612	232.5p
TJ Lister	23 February 2012	73,089	150.5p
TJ Lister	6 August 2012	6,000	150.0p

Financial instruments

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

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

Information about the use of financial instruments by the Company and its subsidiaries is given in note 20 to the consolidated financial statements.

DIRECTORS' REPORT CONTINUED

Donations
Donations made by the Group during the period for charitable purposes in the United Kingdom amounted to £3,000 (2011: £3,120).

Supplier payment policy
The Group's policy is to comply wherever practical with the terms of payment agreed with its suppliers. The average creditor days were 34 (2011: 43) for the Group. The Company has no significant trade payables.

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

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

Disabled persons
The Group gives full and fair consideration to applications for employment from disabled persons, where they have the necessary abilities and skills for that position, and, wherever possible, will retrain employees who become disabled so that they can continue their employment in another position. The Group 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
Management has produced forecasts for all business units which have been reviewed by the Directors. These demonstrate the Group is forecast to generate profits and cash in 2012/2013 and beyond and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed.

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

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

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

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

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

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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 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.

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

By order of the Board
TJ Lister
Secretary
4 December 2012

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF PRESSURE TECHNOLOGIES PLC

We have audited the financial statements of Pressure Technologies plc for the period ended 29 September 2012 which comprise the consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes 1 to 25 to the Group consolidated financial statements and notes 1 to 10 to the parent Company financial statements. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditors
As explained more fully in the Directors' Responsibilities Statement set out on pages 24 and 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 29 September 2012 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
4 December 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 29 September 2012

	Notes	**52 weeks ended 29 September 2012 £'000**	52 weeks ended 1 October 2011 £'000
Revenue	1	**30,442**	23,129
Cost of sales		**(22,704)**	(16,835)
Gross profit		**7,738**	6,294
Administration expenses		**(5,978)**	(5,645)
Operating profit pre acquisition costs and related amortisation	1	**1,950**	1,031
Acquisition costs and related amortisation	4	**(190)**	(382)
Operating profit post acquisition costs and related amortisation		**1,760**	649
Finance income	2	**27**	8
Finance costs	3	**(9)**	(79)
Profit before taxation	4	**1,778**	578
Taxation	8	**(507)**	(177)
Profit for the period		**1,271**	401
Exchange differences on translating foreign operations		**9**	(3)
Total comprehensive income for the period attributable to the owners of the parent		**1,280**	398
Earnings per share – basic	9	**11.2p**	3.5p
– diluted	9	**11.2p**	3.5p

All the above results are from continuing operations.

The accounting policies and notes on pages 31 to 53 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 29 September 2012

	Notes	**29 September 2012 £'000**	1 October 2011 £'000
Non-current assets			
Goodwill	11	**1,964**	1,964
Intangible assets	12	**1,478**	1,962
Property, plant and equipment	13	**4,654**	4,649
Deferred tax asset	21	**110**	245
Trade and other receivables	16	**152**	324
		8,358	9,144
Current assets			
Inventories	15	**6,922**	5,012
Trade and other receivables	16	**7,257**	6,471
Cash and cash equivalents		**2,693**	2,939
		16,872	14,422
Total assets	1	**25,230**	23,566
Current liabilities			
Trade and other payables	18	**(7,651)**	(6,260)
Derivative financial instruments	17	**(23)**	—
Borrowings	19	**(6)**	(33)
Current tax liabilities		**(252)**	(190)
		(7,932)	(6,483)
Non-current liabilities			
Other payables	18	**(655)**	(744)
Borrowings	19	**—**	(9)
Deferred tax liabilities	21	**(588)**	(792)
		(1,243)	(1,545)
Total liabilities		**(9,175)**	(8,028)
Net assets	1	**16,055**	15,538
Equity			
Share capital	22	**568**	567
Share premium account		**5,378**	5,369
Translation reserve		**6**	(3)
Retained earnings		**10,103**	9,605
Total equity		**16,055**	15,538

The accounting policies and notes on pages 31 to 53 form part of these financial statements.

The financial statements were approved by the Board on 4 December 2012 and signed on its behalf by:

JTS Hayward
Director
Company number: 06135104

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 29 September 2012

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Translation reserve £'000	Total equity £'000
Balance at 2 October 2010	567	5,341	9,999	—	15,907
Dividends	—	—	(816)	—	(816)
Share based payments	—	—	21	—	21
Shares issued	—	28	—	—	28
Transactions with owners	—	28	(795)	—	(767)
Profit for the period	—	—	401	—	401
Exchange differences on translating foreign operations	—	—	—	(3)	(3)
Total comprehensive income	—	—	401	(3)	398
Balance at 1 October 2011	567	5,369	9,605	(3)	15,538
Dividends	—	—	(829)	—	(829)
Share based payments	—	—	56	—	56
Shares issued	1	9	—	—	10
Transactions with owners	1	9	(773)	—	(763)
Profit for the period	—	—	1,271	—	1,271
Exchange differences on translating foreign operations	—	—	—	9	9
Total comprehensive income	—	—	1,271	9	1,280
Balance at 29 September 2012	**568**	**5,378**	**10,103**	**6**	**16,055**

The accounting policies and notes on pages 31 to 53 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 29 September 2012

	Notes	**52 weeks ended 29 September 2012 £'000**	52 weeks ended 1 October 2011 £'000
Operating activities			
Cash flows from operating activities	24	**2,573**	3,095
Finance costs paid		**(9)**	(23)
Income tax paid		**(514)**	(896)
Net cash inflow from operating activities		**2,050**	2,176
Investing activities			
Interest received		**2**	8
Proceeds from sale of fixed assets		**84**	—
Purchase of property, plant and equipment		**(727)**	(1,147)
Purchase of licence and distribution agreement		**—**	(800)
Development costs incurred		**—**	(234)
Purchase of subsidiary net of cash and cash equivalents		**—**	(2,164)
Deferred purchase consideration		**(800)**	—
Net cash used in investing activities		**(1,441)**	(4,337)
Financing activities			
Repayment of borrowings		**(36)**	(725)
Dividends paid		**(829)**	(816)
Shares issued		**10**	28
Net cash outflow from financing activities		**(855)**	(1,513)
Net decrease in cash and cash equivalents		**(246)**	(3,674)
Cash and cash equivalents at beginning of period		**2,939**	6,613
Cash and cash equivalents at end of period		**2,693**	2,939

The accounting policies and notes on pages 31 to 53 form part of these financial statements.

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ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and IFRIC interpretations issued by the International Accounting Standards Board and the Companies Act 2006. The Company has elected to prepare its parent Company financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These are presented on pages 54 to 57.

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ended 29 September 2012. The consolidated financial statements have been prepared on a going concern basis.

Management has produced forecasts for all business units which have been reviewed by the Directors. These demonstrate the Group is forecast to generate profits and cash in 2012/2013 and beyond and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed.

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

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. These standards will be effective in future periods:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011)
- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

Revenue recognition – Cylinders

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

Capitalisation of development costs

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

ACCOUNTING POLICIES CONTINUED

Critical accounting judgements continued

Impairment reviews – intangible assets

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

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.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 29 September 2012 (2011: to 1 October 2011). Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights. The consolidated financial statements of the Group incorporate the financial statements of the parent Company as well as those entities controlled by the Group by full consolidation.

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

Business combinations and goodwill

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

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values, 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 sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

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

Revenue

Revenue is measured by reference to the fair value of consideration received or receivable and arises from the sales of goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Revenue from the sale of goods is recognised when the significant risks and 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; when the amount of revenue can be measured reliably; and when it is probable that the economic benefits associated with the transaction will flow to the Group.

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Revenue continued

Cylinders

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

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

Engineered Products

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

Alternative Energy

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

Share-based employee remuneration

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

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

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

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

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

Dividends

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

Property, plant and equipment

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

Plant and machinery	4 – 15 years

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

ACCOUNTING POLICIES CONTINUED

Intangible assets

Licence and distribution agreement

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

Development costs

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

- it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise;
- 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 statement of comprehensive income.

Intangible assets acquired as part of a business combination

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

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

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

Impairment testing of non-current assets

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

Leased assets

In accordance with IAS 17 'Leases', the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the asset. The related asset is recognised at the inception of the lease at its fair value or, if lower, the present value of the lease payments. A corresponding liability is recognised 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 the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives are spread over the term of the lease. Benefits received as an incentive to enter into an operating lease are spread over the lease term on a straight line basis.

Inventories

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

Income taxes

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

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

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Income taxes continued

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

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

Accounting for financial assets

The Group has financial assets in the following categories:

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

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

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

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

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

Accounting for financial liabilities

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

Derivative financial instruments

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

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

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.

ACCOUNTING POLICIES CONTINUED

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

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

Pounds Sterling is the functional currency of the Group and the parent company and the presentational currency of the consolidated financial statements.

The results of overseas subsidiary undertakings are translated at the average exchange rate (being an approximation to the rate at the date of transactions throughout the year) and the balance sheets of such undertakings are translated at the year-end exchange rates. Exchange differences arising on the retranslation of opening net assets of overseas subsidiary undertakings are 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 the consolidated statement of comprehensive income as part of the gain or loss on disposal.

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Segment analysis

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

For the period ended 29 September 2012	Cylinders £'000	Engineered Products £'000	Alternative Energy £'000	Unallocated amounts** £'000	Total £'000
Revenue					
– from external customers	16,306	13,912	224	—	30,442
Operating profit/(loss) before acquisition costs	2,303	1,017	(494)	(876)	1,950
Acquisition costs*	—	(190)	—	—	(190)
Operating profit/(loss)	2,303	827	(494)	(876)	1,760
Net finance income/(costs)	26	(8)	—	—	18
Profit/(loss) before tax	2,329	819	(494)	(876)	1,778
Segmental net assets* **	6,815	7,703	1,632	(95)	16,055
Other segment information:					
Capital expenditure	446	275	6	—	727
Depreciation	275	331	33	—	639
Amortisation	224	190	70	—	484

Period ended 1 October 2011	Cylinders £'000	Engineered Products £'000	Alternative Energy £'000	Unallocated amounts** £'000	Total £'000
Revenue					
– from external customers	11,052	11,161	916	—	23,129
– from other segments	209	—	—	(209)	—
Segment revenues	11,261	11,161	916	(209)	23,129
Operating profit/(loss) before acquisition costs	1,440	1,048	(456)	(1,001)	1,031
Acquisition costs*	—	(382)	—	—	(382)
Operating profit/(loss)	1,440	666	(456)	(1,001)	649
Net finance income/(costs)	(55)	(21)	1	4	(71)
Profit/(loss) before tax	1,385	645	(455)	(997)	578
Segmental net assets* **	6,932	6,486	1,719	401	15,538
Other segment information:					
Capital expenditure	504	411	232	—	1,147
Depreciation	248	248	22	—	518
Amortisation	10	288	83	—	381

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

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

***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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

Revenue	**2012 £'000**	2011 £'000
United Kingdom	**10,307**	11,828
Europe	**4,275**	4,850
Rest of the World	**15,860**	6,451
	30,442	23,129

The Group's largest customer contributed 38% to the Group's revenue (2011: 13%) which is reported within the Cylinders segment. No other customer contributed more than 10% in the year to 29 September 2012.

The second largest customer in the year to 1 October 2011 contributed 12% to the Group's revenue which is reported within the Engineered Products segment. No other customer contributed more than 10% in the year to 1 October 2011.

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

Revenue	**2012 £'000**	2011 £'000
Oil and gas	**24,051**	15,402
Defence	**2,190**	4,472
Industrial gases	**3,888**	2,339
Alternative energy	**313**	916
	30,442	23,129

The following table provides an analysis of the carrying amount of segment assets, additions to property, plant and equipment for 2012.

	United Kingdom £'000	**Rest of the World £'000**	**Total £'000**
Total assets	**24,217**	**1,013**	**25,230**
Additions to property, plant and equipment	**706**	**21**	**727**

There were no additions of intangible assets for 2012.

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

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

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2. Finance income

	2012 £'000	2011 £'000
Interest receivable on bank deposits	**2**	8
Fair value discounting adjustment on loans and receivables (note 16)	**25**	—
	27	8

3. Finance costs

	2012 £'000	2011 £'000
Interest payable on bank loans and overdrafts	**(3)**	(18)
Interest payable on finance leases	**(6)**	(5)
Fair value discounting adjustment on loans and receivables (note 16)	**—**	(56)
	(9)	(79)

4. Profit before taxation

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

	2012 £'000	2011 £'000
Depreciation of property, plant and equipment – owned assets	**624**	481
Depreciation of property, plant and equipment – assets under finance lease and hire purchase agreements	**15**	37
Profit on disposal of fixed assets	**(1)**	—
Acquisition costs – fees	**—**	94
Amortisation of intangible assets – arising on a business combination	**190**	288
– licence and distribution agreement	**70**	83
– development costs	**50**	10
Impairment of intangible assets – development costs	**174**	—
Amortisation of grants receivable	**(37)**	(32)
Staff costs (see note 7)	**6,485**	5,761
Cost of inventories recognised as an expense	**15,019**	11,422
Operating lease rentals:		
– Land and buildings	**624**	531
– Machinery and equipment	**44**	54
Foreign currency loss	**134**	7
Fair value of derivative financial instruments	**23**	(21)

5. Auditor's remuneration

	2012 £'000	2011 £'000
Fees payable to the Company's Auditor for the audit of the financial statements	**14**	11
Fees payable to the Company's Auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**39**	34
Fees payable to the Group's Auditor for non-audit services:		
– Tax services	**13**	13
– Review of Interim Financial Statements	**10**	11
– Other services	**5**	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Directors' emoluments
Particulars of Directors' emoluments are as follows:

	Salary and fees £'000	**Benefits £'000**	**Bonus £'000**	**Pension £'000**	**Total 2012 £'000**	Total 2011 £'000	**Employers national insurance 2012 £'000**	Employers national insurance 2011 £'000
Non-Executive:								
RL Shacklady	**30**	**—**	**—**	**—**	**30**	29	**—**	—
NF Luckett	**20**	**—**	**—**	**—**	**20**	17	**2**	2
PS Cammerman	**20**	**—**	**—**	**—**	**20**	17	**2**	2
Executive:								
JTS Hayward	**122**	**1**	**—**	**13**	**136**	127	**16**	14
TJ Lister	**102**	**2**	**—**	**11**	**115**	103	**13**	12
Total emoluments	**294**	**3**	**—**	**24**	**321**	293	**33**	30

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

The number of Directors who are accruing benefits under money purchase pension arrangements is two (2011: two). The Directors' interests in share options are given in the Directors' Report.

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

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

	Total 2012 £'000	Total 2011 £'000
Non-Executive:		
RL Shacklady	**5**	4
NF Luckett	**4**	4
PS Cammerman	**2**	2
Executive:		
JTS Hayward	**73**	72
TJ Lister	**—**	—
Total dividends paid to Directors	**84**	82

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

	2012 £'000	2011 £'000
Wages and salaries	**5,729**	5,110
Social security costs	**545**	487
Other pension costs	**155**	143
Share based payments	**56**	21
	6,485	5,761

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

	2012 No.	2011 No.
Production	**140**	128
Selling and distribution	**19**	19
Administration	**18**	18
	178	165

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8. Taxation

	2012 £'000	2011 £'000
Current tax		
Current tax expense	**578**	227
(Over)/Under provision in prior years	**(2)**	19
	576	246
Deferred tax		
Origination and reversal of temporary differences	**(76)**	(69)
Under provision in prior years	**6**	—
Total taxation charge	**507**	177

Corporation tax is calculated at 25% (2011: 27%) of the estimated assessable profit for the period. Deferred tax is calculated at 23% (2011: 26%).

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

	2012 £'000	2011 £'000
Profit before taxation	**1,778**	578
Theoretical tax at UK corporation tax rate 25% (2011: 27%)	**444**	156
Effects of:		
– non-deductible expenses	**(2)**	5
– adjustments in respect of prior years	**4**	19
– effect of unrealised overseas losses	**64**	—
– change in taxation rates	**(3)**	(3)
Total taxation charge	**507**	177

9. 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 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.

	2012 £'000	2011 £'000
Profit after tax	**1,271**	401

	No.	No.
Weighted average number of shares – basic	**11,350,099**	11,342,907
Dilutive effect of share options	**—**	21,215
Weighted average number of shares – diluted	**11,350,099**	11,364,122
Basic earnings per share	**11.2p**	3.5p
Diluted earnings per share	**11.2p**	3.5p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Dividends

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

	Rate	Date	Shares in issue	**2012 £'000**	2011 £'000
Final 2009/10	4.8p	11 March 2011	11,349,544	**—**	544
Interim 2010/11	2.4p	10 August 2011	11,349,544	**—**	272
Final 2010/11	4.8p	9 March 2012	11,356,199	**545**	—
Interim 2011/12	2.5p	6 August 2012	11,356,199	**284**	—
				829	816

At 29 September 2012, the 2011/12 final dividend had not been approved by Shareholders and consequently this has not been included as a liability. The proposed dividend of 5.0p per share is expected to be paid on 8 March 2013 at a total cost of £568,000.

11. Goodwill

	Total £'000
Cost	
At 2 October 2010	272
Additions	1,692
At 1 October 2011 and 29 September 2012	1,964

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

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

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

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

The forecast for year one is the forecast approved by management and used within the Group. The forecasts used for years two to four are conservative, with no assumed growth on year one cash flow figures and have been based on the extrapolated year one forecast. No terminal value has been assumed in this calculation.

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

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

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

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

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12. Intangible assets

	Licence and distribution agreement £'000	Development expenditure £'000	Customer order book £'000	Non contractual customer relationships £'000	Total £'000
Cost					
At 2 October 2010	400	—	107	261	768
Additions	800	234	90	676	1,800
At 1 October 2011 and 29 September 2012	**1,200**	**234**	**197**	**937**	**2,568**
Amortisation					
At 2 October 2010	100	—	90	35	225
Charge for the period	83	10	107	181	381
At 1 October 2011	183	10	197	216	606
Charge for the period	70	50	—	190	310
Impairment losses	—	174	—	—	174
At 29 September 2012	**253**	**234**	**197**	**406**	**1,090**
Net book value					
At 29 September 2012	**947**	**—**	**—**	**531**	**1,478**
At 1 October 2011	1,017	224	—	721	1,962

An impairment loss of £174,000 (2011: £nil) was recognised for development expenditure reducing the value to £nil at the year end. All amortisation and impairment charges are included in the consolidated statement of comprehensive income.

13. Property, plant and equipment

	Plant and machinery £'000
Cost	
At 2 October 2010	6,216
Additions	1,147
Acquisitions	275
At 1 October 2011	7,638
Additions	727
Disposals	(593)
At 29 September 2012	**7,772**
Depreciation	
At 2 October 2010	2,471
Charge for the period	518
At 1 October 2011	2,989
Charge for the period	639
Disposed of in the period	(510)
At 29 September 2012	**3,118**
Net book value	
At 29 September 2012	**4,654**
At 1 October 2011	4,649

Included within the net book value of £4,654,000 is £159,000 (2011: £274,000) 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 £15,000 (2011: £37,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 4 to the Parent Company's separate financial statements as listed on page 56.

15. Inventories

	2012 £'000	2011 £'000
Raw materials and consumables	**4,002**	3,014
Work in progress	**2,920**	1,998
	6,922	5,012

Included in the total net value above are gross inventories of £751,000 (2011: £835,489) over which provisions have been made of £528,000 (2011: £519,000).

16. Trade and other receivables

	2012 £'000	2011 £'000
Current		
Trade receivables	**6,194**	5,826
Other receivables	**113**	46
Prepayments and accrued income	**950**	599
	7,257	6,471

	2012 £'000	2011 £'000
Non-current		
Accrued income	**152**	324
	152	324

Included in non-current accrued income are debts not due for settlement for a number of years. Management has reviewed the book value of these assets and applied discounting to reduce the balances by £31,000 (2011: £56,000) to a fair value of £152,000 (2011: £324,000). The release during the year was £25,000 (2011: charge of £56,000).

The average credit period taken on the sale of goods and services was 54 days (2011: 83 days) in respect of the Group. Two debtors accounted for over 10% of trade receivables and represented 21% and 13% of the total balance. In 2011, three debtors accounted for over 10% of trade receivables and represented 11%, 10% and 10% of the total balance respectively.

Ageing of past due but not impaired receivables:

	2012 £'000	2011 £'000
Days past due:		
0 – 30 days	**859**	1,002
31 – 60 days	**381**	218
61 – 90 days	**—**	31
91 – 120 days	**11**	—
121+ days	**38**	520
Total	**1,289**	1,771

17. Derivative financial instruments

	2012 £'000	2011 £'000
Derivatives carried at fair value not recognised for hedge accounting		
– Forward foreign currency contracts	**23**	—
Liability	**23**	—

18. Trade and other payables

	2012 £'000	2011 £'000
Amounts due within 12 months		
Trade payables	**2,977**	2,271
Other tax and social security	**227**	222
Deferred consideration	**—**	800
Accruals and deferred income	**4,447**	2,967
Total due within 12 months	**7,651**	6,260

	2012 £'000	2011 £'000
Amounts due after 12 months		
Other payables	**348**	376
Deferred income	**307**	368
Total due after 12 months	**655**	744

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

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

19. Borrowings

	2012 £'000	2011 £'000
Secured borrowings		
Net obligations under finance leases	**6**	42
Amounts due for settlement within 12 months	**6**	33
Amounts due for settlement after 12 months	**—**	9

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

	2012 £'000	2011 £'000
Due within one year	**6**	33
Due within one to two years	**—**	9
	6	42

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. Financial instruments

Capital risk management

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

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

	2012 £'000	2011 £'000
Debt	**(6)**	(42)
Cash and cash equivalents	**2,693**	2,939
Net cash	**2,687**	2,897
Equity	**16,055**	15,538

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

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

The Group held the following categories of financial instruments:

	2012 £'000	2011 £'000
Financial assets		
Loans and receivables:		
– Trade receivables	**6,194**	5,826
– Other receivables	**113**	46
– Cash and cash equivalents	**2,693**	2,939
	9,000	8,811
Financial liabilities		
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**23**	—
Trade and other payables – held at amortised cost		
– Trade payables	**2,977**	2,271
– Accruals	**1,476**	998
Borrowings – at amortised cost	**6**	42
Deferred consideration	**—**	800
	4,482	4,111

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

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20. Financial instruments continued

Financial risk management objectives

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

The Group seeks to minimise the effects of currency risk by using derivative financial instruments. The use of financial derivatives is governed by the Group's policies on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Whilst the Group 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 and Euros, and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk. The level of long term borrowings in place at the year end is not significant to the Group.

Foreign currency risk management

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

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

	Financial assets 2012 £'000	Financial assets 2011 £'000	**Financial liabilities 2012 £'000**	Financial liabilities 2011 £'000
Australian Dollar	**—**	6	**—**	73
Euro	**2,796**	2,303	**2,695**	1,555
Norwegian Krone	**6**	4	**—**	—
US Dollar	**487**	565	**290**	456
	3,289	2,878	**2,985**	2,084

Foreign currency sensitivity analysis

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

	Australian Dollar currency impact 2012 £'000	Australian Dollar currency impact 2011 £'000	**Euro currency impact 2012 £'000**	Euro currency impact 2011 £'000	**Norwegian Krone currency impact 2012 £'000**	Norwegian Krone currency impact 2011 £'000	**US Dollar currency impact 2012 £'000**	US Dollar currency impact 2011 £'000
Profit or loss	**—**	6	**9**	68	**1**	—	**18**	10

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

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

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

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

At 29 September 2012, the Group had contracts outstanding to sell €3.525 million for £2,794,000 (2011: no outstanding forward exchange contracts).

The fair value of forward foreign exchange contracts at 29 September 2012 gave rise to a loss of £23,000 (2011: profit/loss of £nil).

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the impact on the results in the consolidated statement of comprehensive income and equity would be an increase/decrease of £14,000 (2011: £11,000).

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

Credit risk management
The Group's credit risk is primarily attributable to its trade receivables. The two largest customers within trade receivables account for 34% (2011: 21%) of debtors. Management continually monitor this dependence on the largest customers and are continuing to seek acquisitions and are also developing new products, customers and markets to reduce this dependence. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The Group's management estimate the level of allowances required for doubtful debts based on prior experience and their assessment of the current economic environment. The Group's maximum exposure to credit risk is limited to the carrying value of financial assets recognised at the period end. The Group's management considers that all financial assets that are not impaired or past due are of good credit quality.

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

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

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20. Financial instruments continued

At 29 September 2012 the Group's liabilities have contractual maturities summarised below:

2012	**Current within 6 months £'000**	**Current 6-12 months £'000**	**Non-current 1 to 5 years £'000**	**Less future interest £'000**	**Total net payable £'000**
Trade and other payables	**6,733**	**—**	**691**	**—**	**7,424**
Amounts due under hire purchase agreements	**6**	**—**	**—**	**—**	**6**
	6,739	**—**	**691**	**—**	**7,430**

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

The Group had an un-drawn bank overdraft facility available at 29 September 2012 of £2,000,000 (2011: £2,000,000) which is due for renewal on 28 February 2013.

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

	2012 £'000	2011 £'000
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**23**	(21)
Amounts charged/(credited) to cost of sales within the consolidated statement of comprehensive income	**23**	(21)

Fair values

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

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

The carrying value and fair value of the financial assets and financial liabilities are considered to be the same except for certain receivables due in more than 1 year as explained in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. Deferred tax

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

	Accelerated tax depreciation £'000	Intangible assets £'000	Short term temporary differences £'000	Share option costs £'000	Operating lease incentives £'000	Total £'000
At 2 October 2010	(611)	(68)	116	9	104	(450)
Hydratron Acquisition	(28)	(138)	—	—	—	(166)
Credit/(charge) to income	(51)	104	15	—	1	69
At 1 October 2011	(690)	(102)	131	9	105	(547)
Credit/(charge) to income	224	(20)	(114)	4	(25)	69
At 29 September 2012	**(466)**	**(122)**	**17**	**13**	**80**	**(478)**

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

	2012 £'000	2011 £'000
Non-current asset		
Deferred tax asset	**110**	245
Non-current liabilities		
Deferred tax liabilities	**(588)**	(792)
	(478)	(547)

22. Called up share capital

	2012 No.	2011 No.	**2012 £'000**	2011 £'000
Authorised				
Authorised ordinary shares of 5p each	**15,000,000**	15,000,000	**750**	750
Allotted, issued and fully paid				
Ordinary shares of 5p each	**11,356,199**	11,349,544	**568**	567

During the year, the Company issued 6,655 ordinary shares at a price of 150p increasing share capital by £332 and share premium £9,650. These shares were issued to employees exercising their rights to acquire shares under the company's SAYE/share option plan.

23. Share based payments

Save-as-you-earn Scheme

Pressure Technologies plc introduced a share option scheme for all UK based employees of the Group in November 2007. A fourth grant of options was made in August 2012. If the options remain unexercised after a period of 3 years and 6 months from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest. Members of the scheme are required to remain employees of the Group and make regular contributions.

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

	2012 No.	2011 No.
Outstanding and exercisable at the beginning of the period	**106,815**	67,938
Granted during the period	**52,440**	89,028
Lapsed during the period	**(24,063)**	(2,516)
Exercised during the period	**(6,655)**	(15,920)
Expired during the period	**—**	(31,715)
Outstanding and exercisable at the end of the period	**128,537**	106,815

23. Share based payments continued

The exercisable options outstanding at 29 September 2012 had a weighted average exercise price of 150p (2011: 150p) and a weighted average remaining contractual life of 2.1 years (2011: 2.5 years). The terms of these options are as follows:

Date of grant	Options outstanding at 29 September 2012	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
18 August 2009	17,787	3 years	178	150	6 months
28 July 2011	89,028	3 years	160	150	6 months
6 August 2012	50,040	3 years	175	150	6 months

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

Pressure Technologies plc Performance Share Plan – Enterprise Management Plan

On 23 February 2012 options were granted over 53,156 ordinary shares under the rules of the Pressure Technologies plc Performance Share Plan – Enterprise Management Plan at an exercise price of 150.5p, being the market value at the date the options were granted. 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.

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

	2012 No.	2011 No.
Outstanding and exercisable at the beginning of the period	**73,117**	73,117
Granted during the period	**53,156**	—
Lapsed during the period	**(21,505)**	—
Outstanding and exercisable at the end of the period	**104,768**	73,117

The exercisable options outstanding at 29 September 2012 had a weighted average exercise price of 190.9p (2011: 232.5p) and a weighted average remaining contractual life of 3.2 year (2011: 3 years). The terms of these options are as follows:

Date of grant	Options outstanding at 29 September 2012	Vesting period	Market value at date of grant (p)	Exercise price (p)
7 October 2009	73,117	3 – 5 years	232.5	232.5
23 February 2012	53,156	3 – 5 years	150.5	150.5

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

Pressure Technologies plc Performance Share Plan – Share Options Plan

On 23 February 2012, options were granted over 73,089 ordinary shares under the rules of the Pressure Technologies plc Performance Share Plan – Share Options Plan at an exercise price of 150.5p, being the market value at the date the options were granted. These options are exercisable between 3 and 5 years following the date of grant. Options are forfeited if the employee leaves the Group before the options vest.

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

	2012 No.	2011 No.
Granted during the period	**73,089**	—
Outstanding and exercisable at the end of the period	**73,089**	—

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23. Share based payments continued

The exercisable options outstanding at 29 September 2012 had a weighted average exercise price of 150.5p and a weighted average remaining contractual life of 4.4 years. The terms of these options are as follows:

Date of grant	Options outstanding at 29 September 2012	Vesting period	Market value at date of grant (p)	Exercise price (p)
23 February 2012	73,089	3 – 5 years	150.5	150.5

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

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

Scheme: Date granted:	Enterprise Management Plan 23/02/12	Share Options Plan 23/02/12	Save-As -You-Earn 06/08/12
Weighted average share price	150.5p	150.5p	175p
Weighted average exercise price	150.5p	150.5p	150p
Expected volatility	58%	58%	45%
Expected life	3-5 years	3-5 years	3 years
Risk free rate	4%	4%	3.5%
Expected dividend yield	3.2%	3.2%	3.7%

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

The total charge to the consolidated statement of comprehensive income in the period in respect of share-based payments was £56,000 (2011: £21,000). A deferred tax credit of £10,000 (2011: £nil) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

24. Consolidated cash flow statement

	2012 £’000	2011 £’000
Profit after tax	**1,271**	401
Adjustments for:		
Finance (income)/costs – net	**(18)**	71
Depreciation of property, plant and equipment	**639**	518
Amortisation of intangible assets	**484**	381
Share option costs	**56**	21
Income tax expense	**507**	177
Loss/(profit) on derivative financial instruments	**23**	(21)
Foreign exchange movement	**9**	(3)
Profit on disposal of fixed assets	**(1)**	—
Changes in working capital:		
Increase in inventories	**(1,910)**	(235)
(Increase)/decrease in trade and other receivables	**(589)**	1,235
Increase in trade and other payables	**2,102**	550
Cash flows from operating activities	**2,573**	3,095

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25. Financial commitments
(a) Capital commitments
Commitments for capital expenditure entered into were as follows:

	2012 £'000	2011 £'000
Contracted for, but not provided in the accounts	**—**	112

(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:

	2012 £'000	2011 £'000
Land and buildings, leases expiring:		
Within one year	**624**	601
In the second to fifth years inclusive	**2,624**	2,571
After more than five years	**2,167**	2,844
	5,415	6,016
Other assets, leases expiring:		
Within one year	**44**	43
In the second to fifth years inclusive	**35**	23
	79	66

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

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

COMPANY BALANCE SHEET

As at 29 September 2012

	Notes	**2012 £'000**	2011 £'000
Fixed assets			
Investments	4	**6,344**	6,687
		6,344	6,687
Current assets			
Debtors	5	**5,528**	4,097
Cash at bank and in hand		**75**	640
		5,603	4,737
Creditors: amounts falling due within one year	6	**(338)**	(1,354)
Net current assets		**5,265**	3,383
Net assets		**11,609**	10,070
Capital and reserves			
Called up share capital	7	**568**	567
Share premium account	8	**5,378**	5,369
Equity – non distributable	8	**85**	50
Profit and loss account	8	**5,578**	4,084
Equity shareholders' funds	9	**11,609**	10,070

The accounting policies and notes on pages 55 to 57 form part of these financial statements.

Approved by the Board on 4 December 2012 and signed on its behalf by:

JTS Hayward
Director

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NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

These financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 2006. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit for the financial year dealt within the financial statements of the holding Company was £2,302,000 (2011: £2,021,000).

Investments

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

Pensions

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

Share based payments

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

Where the individuals are employed by the parent Company, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. Where the individuals are employed by a subsidiary undertaking, the fair value of options to purchase shares in the Company that have been issued to employees of subsidiary companies is recognised as an additional cost of investment by the parent Company. An equal amount is credited to other equity reserves.

2. Employees

Average weekly number of employees, including Executive Directors:

	2012 Number	2011 Number
Administration	**5**	4

Staff costs, including Directors:

	2012 £'000	2011 £'000
Wages and salaries	**389**	351
Social security costs	**46**	35
Other pension costs	**39**	19
Share based payments	**21**	12
	495	417

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

3. Operating profit

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

4. Investments

	Investment in subsidiary companies £'000
Cost	
At 1 October 2011	6,687
Provision for diminution in value	(378)
Share options granted to subsidiary company employees	35
At 29 September 2012	**6,344**

The assets of the former owner of Chesterfield Special Cylinders Limited, Chesterfield Pressure Systems Group Limited ("CPSG") were distributed as a dividend to Pressure Technologies plc during the year. As a consequence of this, a provision has been made for the diminution in value of the cost of investment by Pressure Technologies plc in CPSG.

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

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

5. Debtors

	2012 £'000	2011 £'000
Amounts: falling due within one year		
Prepayments and accrued income	**116**	49
Amounts owed by Group companies	**5,412**	4,048
	5,528	4,097

6. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	**36**	24
Other tax and social security	**12**	14
Accruals and deferred income	**58**	53
Deferred purchase consideration	**—**	800
Amounts owed to Group companies	**232**	463
	338	1,354

7. Share capital

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

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NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8. Reserves

	Share premium account 2012 £'000	**Equity – non distributable 2012 £'000**	**Profit and loss account 2012 £'000**	Share premium account 2011 £'000	Equity – non distributable 2011 £'000	Profit and loss account 2011 £'000
At beginning of period	**5,369**	**50**	**4,084**	5,341	41	2,867
Profit for the financial period	**—**	**—**	**2,302**	—	—	2,021
Share option cost	**—**	**—**	**21**	—	—	12
Share options granted to subsidiary employees	**—**	**35**	**—**	—	9	—
Shares issued	**9**	**—**	**—**	28	—	—
Dividends	**—**	**—**	**(829)**	—	—	(816)
At end of period	**5,378**	**85**	**5,578**	5,369	50	4,084

9. Reconciliation of movements in equity shareholders' funds

	2012 £'000	2011 £'000
Equity shareholders' funds at beginning of period	**10,070**	8,816
Profit for the financial period	**2,302**	2,021
Dividends paid	**(829)**	(816)
Share option cost	**21**	12
Share options granted to subsidiary employees	**35**	9
Share issued	**10**	28
Equity shareholders' funds at end of period	**11,609**	10,070

10. Related party transactions

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

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

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