Pressure Technologies

ANNUAL REPORT 2015

A specialist engineering Group supplying safety-critical products and services

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pressuretechnologies.com

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

On the cover: Keeron Manley, year two apprentice at Al-Met

HIGHLIGHTS

SUSTAINABLE AND RESPONSIBLE BUSINESS

Read more on **page 28**

HIGHLIGHTS

Revenue
£55.6m
(2014: £54.0m)

Adjusted Operating Profit*
£3.3m
(2014: £7.8m)

Adjusted EBITDA*
£4.7m
(2014: £8.7m)

Adjusted Earnings per Share*
14.5p
(2014: 44.9p)

Operational Cash Conversion
2.41x Operating Profit
(2014: 0.43x)

Net Debt to EBITDA Ratio
1.51x

Final Dividend Unchanged
5.6p
per Share

Total Dividend Maintained
8.4p

* After adjusting for acquisition costs, amortisation on acquired businesses and exceptional charges and credits

- Creation of Precision Machined Components Division and successful integration of Quadscot
- Successful restructuring of Greenlane Biogas
- In-sourcing of machined components completed
- Major cost savings made in response to the trading environment
- Revenue from oil and gas market reduced from 73% to 59%
- New products and services being developed across the Group to benefit 2016
- Alternative Energy order pipeline strong for 2016

ALTERNATIVE ENERGY

Read more on **page 14**

Strategic Report

Governance

Financial Statements

AT A GLANCE – DIVISIONS

Another year of great change

The Group operates across four divisions. Precision Machined Components, Engineered Products, Cylinders and Alternative Energy.

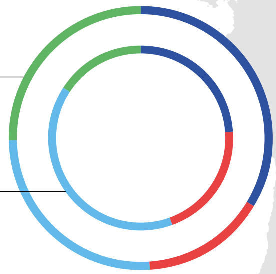
As part of the integration strategy following the acquisition of Quadscot Precision Engineers in October 2014, the Group split Engineered Products ("EP") to form a fourth division, Precision Machined Components ("PMC"). Al-Met, the Group's first acquisition in February 2010, and Roota Engineering acquired in March 2014 were moved from EP to the newly formed division leaving EP with Hydratron and Hydratron Inc., which were acquired in October 2010. Each division is headed by a Managing Director who reports directly to the Chief Executive. Each Division also has a Finance Director who reports directly to the Group Finance Director.

WHERE WE OPERATE

DIVISIONAL REVENUE

£55.6m
Group revenue 2015

£54.0m
Group revenue 2014



OUR DIVISIONS

PRECISION MACHINED COMPONENTS

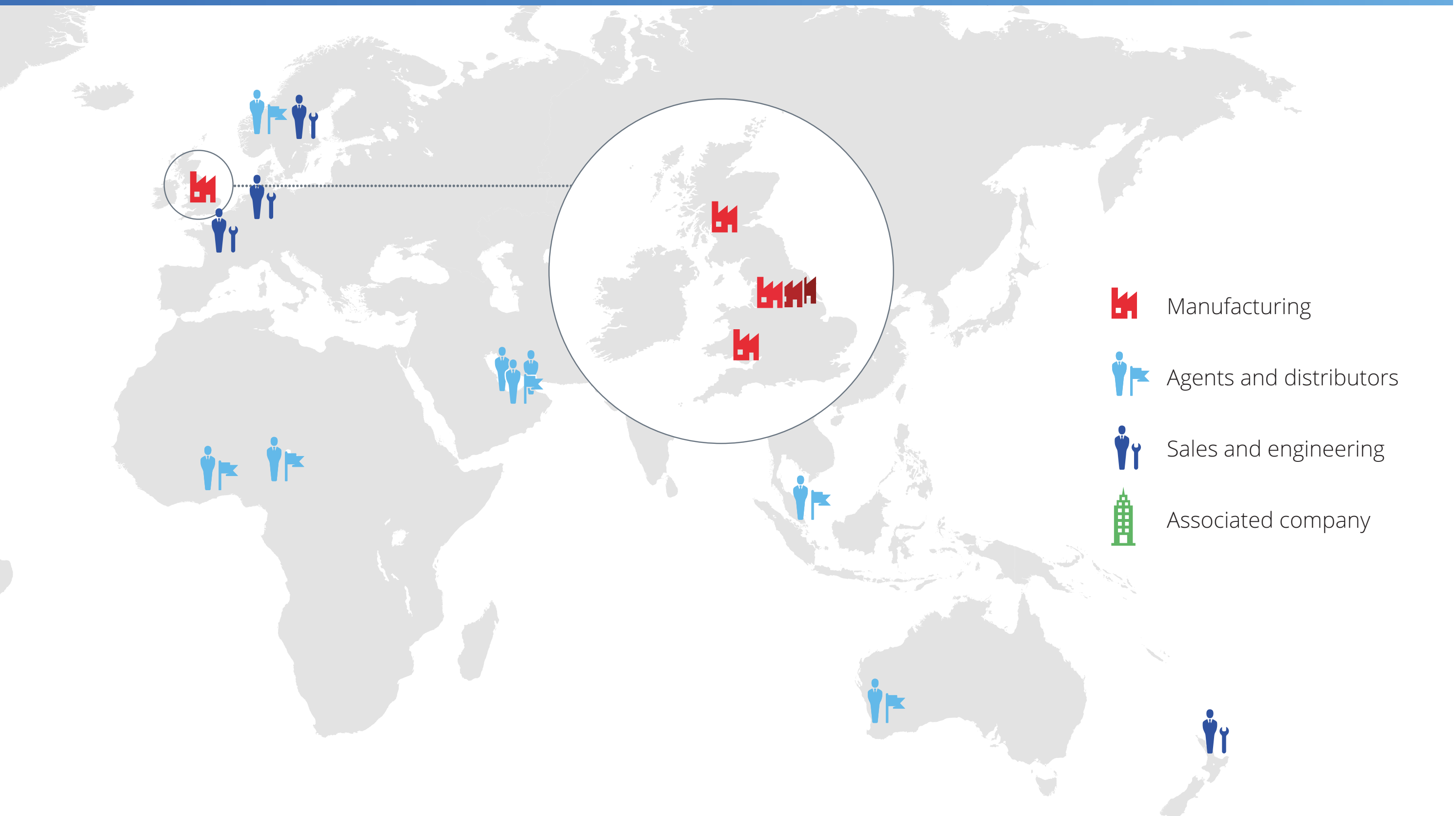
The division serves the global oil and gas market where extremely demanding applications require specialised precision engineered parts. Products from the division are used in oil and gas exploration and production. The businesses within the division provide Computer Numerical Control ("CNC") and conventional precision engineering services and work with high performance materials and exotic alloys including Inconel and Monel, Duplex, Toughmet and Beryllium Copper, along with a wide range of high strength carbon steels.

QUADSCOT Precision Engineers Ltd   Al-Met   ROOTA Engineering Ltd

ENGINEERED PRODUCTS

Hydratron is a global leader in the manufacture of high pressure air driven liquid pumps, gas boosters and associated systems for the testing of high pressure components and subsea control systems. The majority of its sales are to service providers, contractors and other high pressure equipment manufacturers. While around 80% of the division's applications go into the global oil and gas market, it also serves a variety of other markets where high pressure equipment is required, including, petrochemical, aerospace, marine, automotive and power generation.

hydratron



CYLINDERS

The division serves the offshore oil and gas, defence, aerospace, industrial gases and alternative energy markets. It is comprised of wholly owned subsidiary, Chesterfield Special Cylinders Ltd ("CSC"), which was the core of the Group at IPO on AIM in 2007 and associate company Kelley GTM based in Amarillo, Texas, USA, in which we have a 40% stake acquired in December 2013. The core product for the division is the design and manufacture of ultra large cylinders for a variety of applications including, Air Pressure Vessel systems for oil rig motion compensation and high pressure cylinders for submarines, transportation and bulk storage of gases. Increasingly, the division is building on its extensive experience and knowledge to provide higher margin services around the world including retesting and refurbishment.

CHESTERFIELD SPECIAL CYLINDERS KGTM

ALTERNATIVE ENERGY

The division serves the renewable natural gas ("RNG") or biomethane market around the world, through its subsidiary Greenlane Biogas which was acquired in October 2014. Today, it is one of the world's largest suppliers of biogas upgrading technology and is the acknowledged leader in the upgrading of biogas to biomethane. While its water scrubbing technology commands a substantial market share, the division is also extending the variety of upgrading technologies it offers to become more technology agnostic. The upgraders clean the raw biogas produced primarily from Anaerobic Digesters ("AD") and landfill sites to produce biomethane that can either be put directly into the gas grid or stored for use as a vehicle fuel. There are almost 100 Greenlane biogas upgraders installed around the world.

GREENLANE BIOGAS

THE CHANGING MARKET CONDITIONS

Oil and gas is not the whole story

While revenues have been protected as defence and alternative energy markets supported the decline in oil and gas, Pressure Technologies remains committed to the oil and gas sector.

Due to the strategic decisions taken over the last couple of years, this year has seen a major change to the revenue split from the markets we serve, with alternative energy continuing to grow. The re-balancing of our revenues from sources other than oil and gas have protected group turnover during a turbulent year for oil and gas. However, we remain committed to the oil and gas sector as we still see much growth potential in this market for our niche engineering skills and core products.

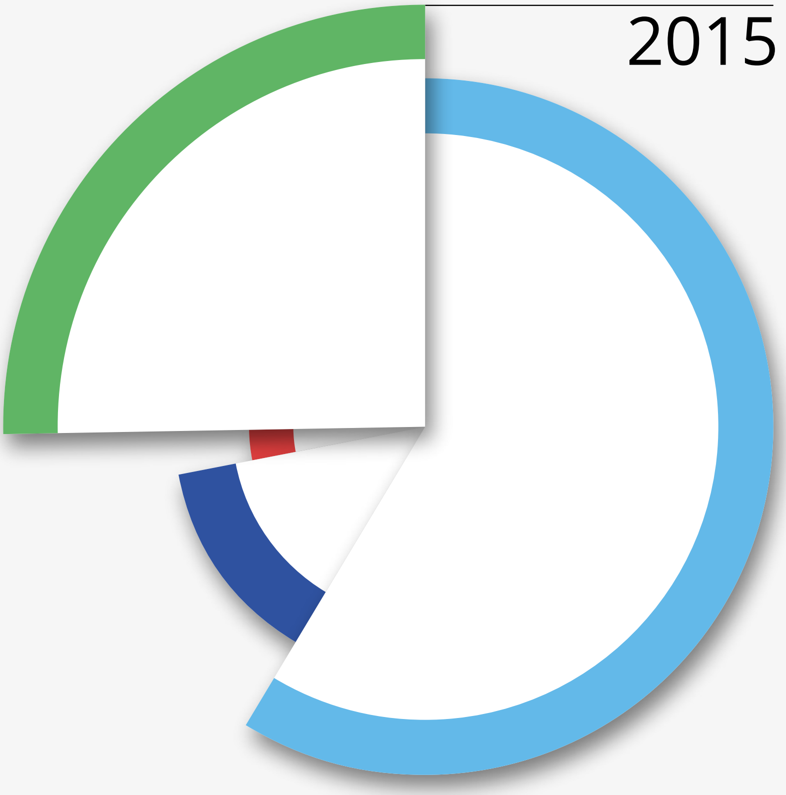
Growing revenues from all the markets we serve will continue to be an integral part of our strategy.

2011

OUR MARKET SPLIT

Over the last five years alternative energy has grown from 3% of our revenues to over 25%. Defence has also played an important role during the year and while there has been little change to industrial gases, we believe that the increased use of Hydrogen will give depth to this area in the medium term.

2015



2015 DATA

OIL AND GAS		DEFENCE		INDUSTRIAL GASES		ALTERNATIVE ENERGY	
59%	£32.6m	13%	£7.5m	3%	£1.5m	25%	£14.0m

The diversification of the Group has given us a better balance

The past 18 months has seen a sustained fall in the price of crude oil, principally caused by a lack of demand on the back of sluggish global economic growth, but exacerbated by an oversupply primarily from onshore tight-oil fields located in North America. This has caused significant uncertainty in the oil and gas markets, forcing oil companies to cut investment in new field developments by around 30% and spending on operating assets has also come under intense cost-down pressure.

Pressure Technologies' products are mostly destined for use in the exploration, development and operation of offshore oil and gas fields, which are generally more expensive compared to onshore. Our key markets such as down-hole products, subsea production equipment and the construction of new semi-submersible drilling rigs and diving support vessels have been severely hit.

I am pleased, however, with the progress we've made in integrating our Precision Machining Components acquisitions, Roota and Quadscot, into the Group and both have made valuable sales, profits and cash contributions. We announced the acquisition of Greenlane Biogas in October 2014 and, as planned, this financial year has seen a substantial amount of restructuring and integration with Chesterfield Biogas to create a more streamlined, focused and competitive business. It is pleasing to note that our Alternative Energy Division can lay claim to having designed and constructed the world's largest biogas plant, demonstrating that our technology and project execution expertise is unquestionably world-class.

I am proud of the resolute way our people have risen to the trials of the past year. We've taken substantial cost out of our businesses so that we remain competitive and ready to support our customers, whilst protecting our knowledge and skills for the future.

BOARD

This year saw changes to executive and Non-executive Directors. Group Finance Director, James Lister retired and was replaced by Joanna Allen in July. James had served the Group since 2008 making a valuable contribution to the growth and diversification of the Group. Joanna joined us from PwC and she brings a wealth of experience in financial reporting and mergers and acquisitions to the Group.

In September 2015, Non-executive Director Nigel Luckett retired and was replaced by Brian Newman. I'd like to take this opportunity to thank Nigel for his support and wise advice which the Group has benefitted from significantly over the years and also to welcome Brian to the Board. Given Brian's wide and varied industrial experience I am sure he will add much value to the Board going forward.

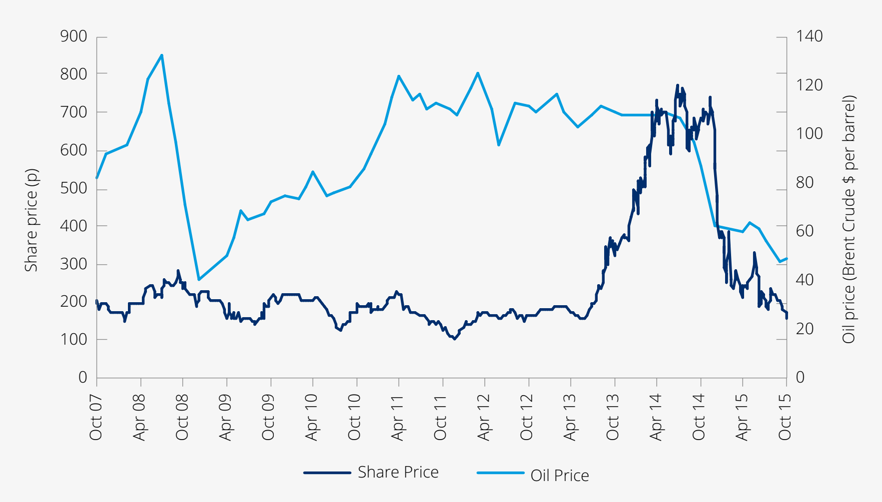
RESULTS

I am pleased to report that Group revenues increased slightly to £55.6 million (2014: £54.0 million). Adjusted Operating Profit[1] came in at £3.3 million (2014: £7.8 million), delivering a Return on Revenue of 5.9% (2014: 14.5%), both of which were slightly better than market expectations set at the half-year.

Net asset value ended the year at £36.3 million (2014: 36.5 million) and cash generated from normal trading operations was £7.9 million (2014: £3.4 million). At year-end, closing net debt was £7.1 million and the Group comfortably complied with all bank covenants. The Board is proposing to maintain the dividend at 5.6p per share, giving a total dividend for the year of 8.4p, which will be paid to shareholders on 18 March 2016 to those shareholders on the register on 19 February 2016. The dividend is covered 1.7 times by adjusted earnings per share.

[1] Pre acquisition costs, amortisation on acquired businesses and exceptional charges and credits

SHARE PRICE VS. OIL PRICE



Interestingly the underlying like-for-like performance of the Group, if all the acquired businesses were excluded, would show a fall in revenue of 24.4% and this highlights the positive impact of the strategic decisions taken by the Board to diversify revenues and to acquire Roota, Greenlane and Quadscot.

OIL AND GAS MARKET

The annual growth of global demand for oil in 2016 is forecast to be a modest 1.3%, which is broadly the same as last year. Chinese demand growth is forecast to remain robust at 3%, despite the current economic slowdown. Although there have been reports of falling car sales in China in recent months, the overall vehicle pool is still expanding, resulting in steady gasoline demand growth. Similarly, there is high gasoline demand growth in the USA due to a combination of reducing pump prices and stronger economic activity. The United States is by far the world's largest oil consumer and the country's demand is forecast to reach 19.5mbpd in 2016.

On the supply side, much has been written about the stand-off between OPEC and the USA and who will blink first to curb production and effectively become the swing producer, thereby controlling global crude oil prices. There is no question that this stand-off has destroyed billions of dollars of value for oil companies over the past year or so, to the extent that American and International oil companies wrote-off $38 billion of assets in the third-quarter of 2015 alone. In the USA, the number of onshore rigs in operation has fallen by 60% since November 2014 and non-strategic petroleum reserve stocks have increased by 30% since July 2014 to a record 484mbls at the end of October 2015.

Against this uncertain and somewhat tense market backdrop, the Board does not expect oil and gas market conditions in 2016 to differ markedly from what we've seen during the second-half of 2015. On that basis, we have taken steps to monitor market developments as closely as we can, so that we are able to respond quickly to unfolding events.

OUTLOOK

At the strategic level, the Board has approved further investment in our technology offerings in the Alternative Energy Division, which will broaden our market opportunities. Further, given the restructuring efforts that we've undertaken in 2015, the Board is confident that this Division will deliver substantially better financial returns this coming year. Already we are seeing a strong order pipeline in the Americas, the European Union and China.

Within Cylinders we have taken steps to increase our presence in the USA and developments in this market are likely in the coming year. We also anticipate more success in delivering our Cylinder Integrity Management Services as customers focus more on maximising the life of their assets. Product development at Engineered Products coupled with an increased emphasis on sales and rental, underpinned by significant cost reductions, will help lift this Division in 2016. We expect that Precision Machined Components will produce further synergies as the businesses continue to capitalise on the benefits of working together.

After completing his A' Levels, James chose to take an apprenticeship at CSC rather than opting for university. With the continued support of CSC he went on to gain a work placed degree in engineering. He is now a key member of the engineering and Integrity Management team.

James Taylor
Chesterfield Special Cylinders

Head to **page 29** to read more on our apprenticeships

Whilst the oil and gas market has become more uncertain, the diversification of the Group has given us a better balance with 59% of our revenues now coming from this market, compared to 73% in 2014. Our focus to reduce costs and align the businesses with the current market conditions puts us in a strong position to weather the downturn. The Board remains alert to changing conditions in our core markets, so that we are ready to capitalise on opportunities whenever and wherever they arise.

ALAN WILSON
Chairman
15 December 2015

Our goals

OUR STRATEGY

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

OUR PROGRESS

Following the divisional restructuring which has positioned the businesses to best exploit internal synergies, each Division has developed a strategic plan encompassing internal rationalisation, organic growth and acquisition opportunities. These have generated a number of new market and product development opportunities.

See **page 16** for our Business Review

OUR BUSINESS MODEL

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

To achieve this, we serve four core markets to build a better balanced Group:

Oil and gas

Defence

Industrial gases

Alternative energy

See **page 04** for our market insight

1. Consolidate and build on the current business

Development of divisional structure in order to streamline operations, realise cost savings and align the businesses with key markets.

2. Identify and develop profitable niche opportunities in growth sectors

Launch of Cylinders Division's Integrity Management service and the establishment of a dedicated US Sales Team for the Cylinders Division.

Investment in the development of new upgrading technologies to position the Alternative Energy Division as "technology agnostic".

Development of the Chinese biogas upgrading market.

Expansion of Engineered Products Division's core pump range to widen product offering and access new market sectors.

3. Identify and develop profitable acquisition opportunities

Acquisition opportunities are kept under review by the Board working together with the Group businesses. The Group has structured acquisition criteria to maintain the focus on the vision and minimise risk.

OUR KPIS	OUR RISK AWARENESS	OUR FUTURE
The Board uses key performance indicators when assessing the performance of the Group.	Specific principal risks are identified by management and actions are implemented to minimise these risks. These risks are reviewed by the Risk Committee. Risks below are those most likely to affect the development of the strategy.	It is central to our strategy that we continue to take actions that enable the future development of the Group. In addition the Group continues to identify both organic growth and acquisition opportunities that focus on markets and technologies that are adjacent to our current ones.
See **page 30** for our KPIs	See **page 31** for our Risks and Uncertainties	See **page 19** for our Summary and Outlook
5.9% Return on Revenue 2.41x Cash Conversion Ratio	Risks to this element of the strategy are from management resource, employee skill base and economic environment.	Continue to leverage the synergies within the current businesses whilst engaging more with the customer base.
£55.6m Revenue	Risks to this element of the strategy are from competition, access to funding, management resource, employee skill base and economic environment.	Expansion into geographical markets where opportunities exist for our products and services along with the development new products and value added services.
5.9% Return on Revenue 14.5p Adjusted Earnings per Share	Risks to this element of the strategy are from competition, access to funding, management resource and economic environment.	Continued monitoring and focus on suitable acquisition opportunities with a close strategic fit.

In pursuit of our strategy, we serve four core markets

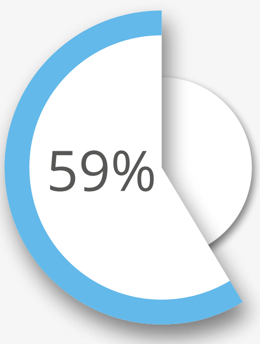
OIL AND GAS

Market fact sheet

MARKET SERVED BY
Cylinders
Engineered Products
Precision Machined Components

2015 REVENUE
£32.6m
(2014: £39.6m) – down 18%

2015 % OF GROUP REVENUE



The oil and gas market, while reducing in size in relation to other markets served by the Group, still accounts for 59% of our business. Over the last 12 months this market has been through an unprecedented downturn with the price of Brent Crude remaining below $70/bbl over the year with averages falling to $50/bbl during the third quarter of calendar 2015.

During the last quarter of calendar 2014 the global demand for oil and gas began to reduce primarily as a consequence of an economic slowdown in China and other developing countries. This slowdown was coupled with a significant increase in production as the United States went into full production of its shale oil.

OPEC, which represents the world's largest oil producing nations, has historically been the swing producer during times of lowered global demand. Its predominantly and well-established onshore oil production is less complex to cease than offshore, deepwater and shale production. However, in an attempt to defend its market share from the increasing US production, it chose not to assume its swing producer role and continued to produce oil at normal volumes of around 30/bbl a day. The result of this action initially caused the price of Brent Crude Oil to drop from over a $100 per barrel to below $50 and has subsequently contributed to that low price remaining for an unprecedented time.

The International Energy Agency ("IEA") is currently predicting that global demand for oil will be lower in the first half of 2016, falling from 95.42mb/d in Q4 of 2015 to 94.89mb/d in Q1 2016, before rising to 96.67mb/d in Q4 of 2016. However, oversupply may continue as additional Iranian barrels are added once sanctions are lifted. Oversupply and a low oil price have significantly reduced the capital expenditure in this market.

The effect of this on our businesses has been significant although the overall effect on the Group has been lessened as we further diversified our product mix into this market. In the current financial year we benefited from full year contributions from Roota Engineering, acquired in March 2014 and Quadscot Engineers, acquired in October 2014.

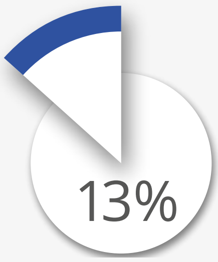
DEFENCE

Market fact sheet

MARKET SERVED BY
Cylinders
Engineered Products

2015 REVENUE
£7.5m
(2014: £3.5m) – up 114%

2015 % OF GROUP REVENUE



This is the third largest market for the Group where CSC has specialist capability in the manufacture of high-pressure cylinders for submarines, surface vessels and military aircraft. It also supplies small steel cylinders to the military aerospace sector in both the UK and the US for breathing apparatus, emergency system operations and fuel tank explosion prevention systems. Work done over the last decade to expand the customer base for naval applications has reduced the "lumpiness" of defence revenue and there is a good forward visibility on projects in Germany, South Korea and the UK.

Although defence budgets around the world are under pressure, submarine build programmes have continued. The market is less sensitive to competition due to the complexity of products, quality requirements and the bureaucratic overhead. However, countries, such as the USA, have regulations which protect indigenous suppliers and during the period we have introduced a US sales team to strengthen our position in this important market.

CSC is the major supplier in the naval market to NATO and NATO friendly nations with the exception of the USA, with Germany now our largest market. There are significant medium term opportunities, the largest being the Successor Programme, which replaces the Vanguard class of submarines and we are working with defence OEMs on initial, small-scale prototypes.

Integrity Management services are widely used in the UK naval sector and are now being offered on overseas naval contracts.

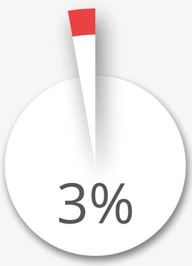
INDUSTRIAL GASES

Market fact sheet

MARKET SERVED BY
Cylinders
Engineered Products

2015 REVENUE
£1.5m
(2014: £2.3m) – down 35%

2015 % OF GROUP REVENUE



The major driver for the industrial gases market is GDP growth. Our principal markets are Europe and the UK, so recent years have seen low capital expenditure from the gas majors and little infrastructure development. CSC supplies a range of high-pressure trailers and bulk storage packs into the market. Hydratron supplies test systems for pressure components (e.g. valves, hoses, transducers).

In the medium term, significant growth is expected in the market for Hydrogen as a fuel source as the market is driven primarily by regulations pertaining to desulfurisation of fuel used in transportation and the growth in transportation fuels. This market is at pressures significantly above the normal 200 to 300 bar range for standard industrial gases. Demands of this market suit the product range of both CSC and Hydratron and, for Cylinders, are at pressures that many competitors lack proven capability.

ALTERNATIVE ENERGY

Market fact sheet

MARKET SERVED BY
Greenlane Biogas

2015 REVENUE
£14.0m
(2014: £8.6m) – up 63%

2015 % OF GROUP REVENUE

PROVIDING SOLUTIONS FOR RENEWABLE ENERGY

The global drivers for the alternative energy market are the world's commitment to reduce its greenhouse gas emissions, air and water pollution and to ensure security of supply, reducing fossil fuel reliance, while continuing to meet rising energy demand.

Biomethane, also referred to as Renewable Natural Gas ("RNG"), can play an important role in the reduction of greenhouse gas emissions. It represents an opportunity to deliver a renewable fuel within a relatively short time frame that uses existing infrastructure and can be injected directly back into the grid or used for vehicle fuel. It is an efficient way to utilise yesterday's waste to fuel tomorrow's fuel requirements. The solution uses waste from organic sources such as food, animal manure, agriculture and landfill together with an already advanced technology for upgrading biogas to biomethane. Water scrubbing technology, in which Greenlane is a world leader has been around for over 20 years.

A SOLUTION TO MORE THAN ONE PROBLEM

At a local level the drivers for this market are government policies and incentives, which operate under different names in many countries around the world including France and Italy. In the UK it is the Renewable Heat Incentive ("RHI"). In Denmark the Government is pushing for large scale upgrading and Italy is looking to run large vehicle fleets off Compressed Natural Gas ("CNG"), with renewable gas contributing to this.

In addition local environmental concerns are also driving this market. In China there is increasing interest in the benefits of managing agricultural waste by converting it rather than burning it, which contributes to air pollution. Greenlane is currently working with China's Agricultural University to demonstrate how agricultural waste can have value as a clean source of energy. In the United States for example, Yakima County is one of the most active dairy centres and concerns about the dairies impacting water and air quality have led farmers to look for ways to improve their waste management practices. Greenlane is also active in this market where it has a contract with Promus Energy, a project development company focusing on renewable and sustainable technologies.

THE POTENTIAL

Renewable gas has the potential to make a significant contribution to the reduction of greenhouse gas emissions while enhancing the security of our energy supply. With an endless supply of potential source material from increasing global waste and several already advanced technologies available for treating and converting the biogas, there is little to stop this market seeing rapid growth as global governments seek solutions to increasingly stricter regulations on CO_2 emissions.

GREENLANE'S POSITION IN THE MARKET

Greenlane is one of the world's largest suppliers of biogas upgrading technology. The division was originally a start-up business following an agreement with then New Zealand based, Greenlane® Biogas in November 2008. Under the brand name Chesterfield Biogas, it had exclusive rights to market and manufacture Greenlane's water scrubbing technology in the UK and Eire. In October 2014, Pressure Technologies acquired the Greenlane® business, giving the division the global intellectual property rights of its leading technology and securing a worldwide presence in the rapidly growing biogas upgrading market. Chesterfield BioGas was subsequently renamed Greenlane Biogas and the headquarters for the worldwide operation are now based in the UK.

EXPANDING OUR MARKET

There is an increasing demand for joined up thinking as this market becomes more mainstream, creating an opportunity for the division to provide a one stop shop solution. We are developing our project management offer to encompass installation, commissioning and maintenance services from anaerobic digester stage through to injection into the grid.

As part of this strategy we are adding other upgrading technologies to our own water scrubbing technology. We recently signed a distribution agreement with Sysadvance, a Portuguese company specialising in advanced gas separation systems that utilise pressure swing adsorption ("PSA") technology.

GREENLANE SUPPLIES REFOOD WITH A BIOGAS-TO-BIOMETHANE UPGRADING PLANT WITH DE-SULPHURISATION PACKAGE AND VOC REMOVAL PLANT AT THEIR WASTE FOOD COLLECTIONS PROCESSING PLANT AT WIDNES, UK.

ReFood is Europe's leading specialist food waste recycling service provider and a division of Saria Group. The project which was completed in (June 2014), upgrades biogas from food waste no longer fit for human consumption, for gas-to-grid injection.

Visit the Greenlane Biogas website for the latest news and information **greenlanebiogas.co.uk**

The agreement will allow Greenlane to distribute Sysadvance products in Canada, US and Mexico, and will see the two companies work together to integrate their systems to offer leading biogas upgrading solutions. These units can be easily installed in any indoor facility and have a wide range of applications in the food, pharmaceutical, chemical, automotive, medical and wastewater treatment industries.

We are also soon launching our own membrane based upgrading systems which will enable us to offer upgrading solutions where planning restrictions or insufficient water supply rule out our other technologies. When this is introduced the division will be "technology agnostic" and able to offer the optimum upgrading solution for each project.

Managing Director for Greenlane Biogas Europe, Stephen McCulloch, speaks to us about the significant market opportunities for renewable energy.

Q. How long have you been MD?

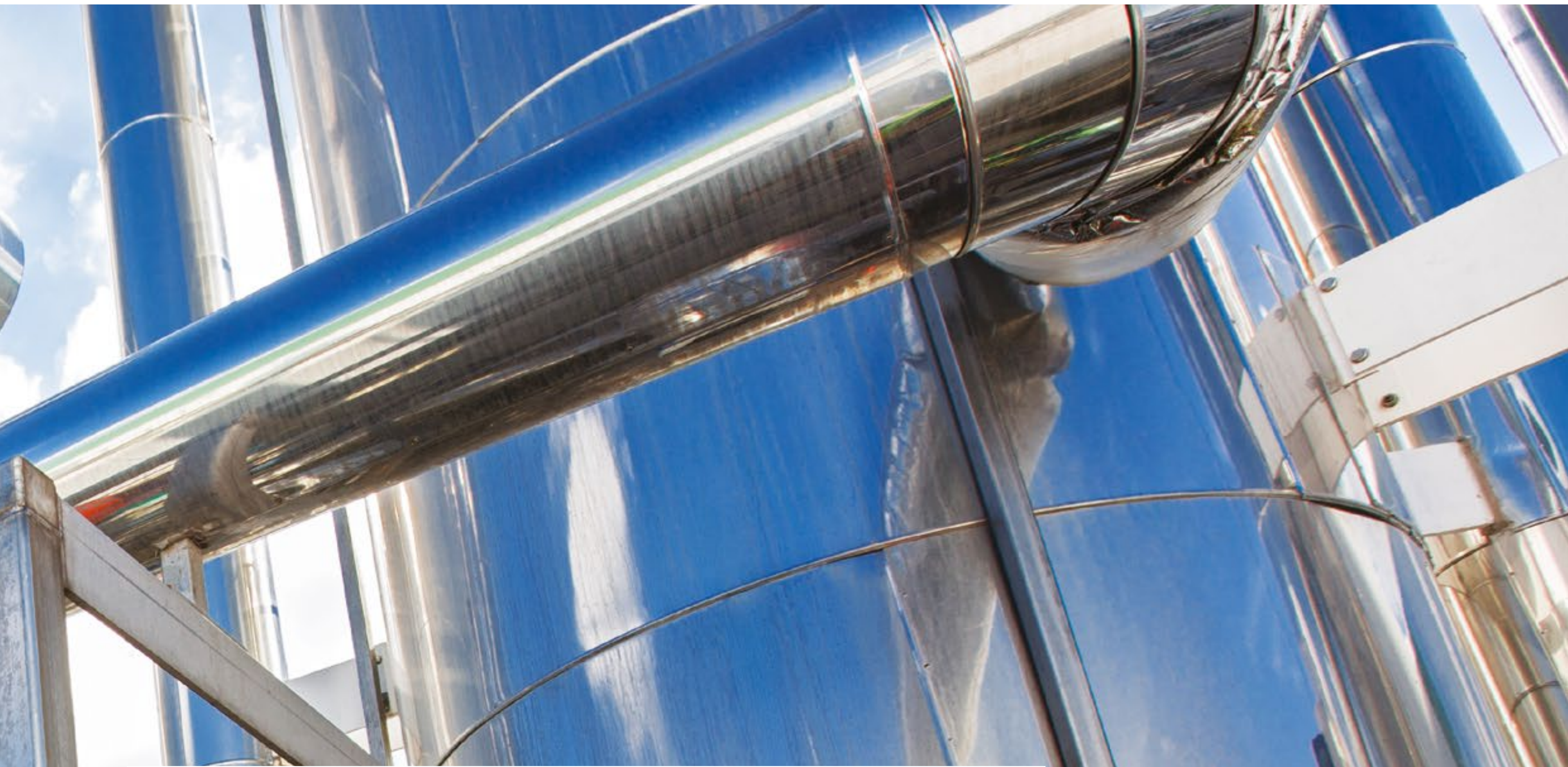
A. I originally joined the small cylinder division of Pressure Technologies in 2008 but shortly after joining I was asked to set up a start-up company, Chesterfield BioGas as it was then named, to develop the biogas market in the UK. I became Managing Director in 2011 when the business was purely UK focused, but since the purchase of Greenlane last year we are now a global leader and I work with a team of MDs, Brent Jaklin who looks after the Americas and China, Steve Rowntree who covers Australasia and Asia, I now look after Europe as well the UK.

Q. Where exactly do you install upgraders?

A. Any waste suitable for anaerobic digestion ("AD") such as food, manure, sewage, agricultural waste and landfill will produce raw biogas. Upgraders are installed at AD plants and Landfill sites to take the biogas and clean it to produce biomethane, which can then either be used for injection into the gas grid, or stored for vehicle fuel or Liquid Natural Gas ("LNG").

Q. How many upgraders has Greenlane installed?

A. Globally we are approaching 100. Back in 2010 we installed an upgrader at Didcot for Thames Water, this was the project that initiated the UK biogas upgrading market. Since then we have installed a further ten in the UK. Last year my colleagues in North America installed the world's largest upgrader plant in Canada, processing up to 16,000 Nm^3/h of biogas.



Q. Which country has capitalised most on biogas upgrading and who do think will catch up next?

A. Sweden were the pioneers of this technology but I would say that Germany are currently the leaders and their ultimate aim is to run the whole country on renewables. I think France will be the next to catch up, especially as they have a newly confirmed Biomethane tariff. We are active in France and have recently completed the installation of France's largest upgrader at Lyon for Tiru, one of Europe's largest waste management companies.

Q. What do you find most exciting about this market?

A. Even though the renewable energy sector has been around for a long time, it is still relatively small considering the importance of its role in the future of our energy supply and security. The reduction of greenhouse gas emissions is now high on the global political agenda. In the UK renewable gas has the potential to make a significant contribution to our renewable energy and carbon reduction targets for 2020. And in the longer term, with the right government policies in place, renewable gas could meet up to 50% of UK residential gas demand. I believe that the market for renewable gas, utilising our waste streams, is inevitable as global energy demands increase.

> The reduction of greenhouse gas emissions is now high on the global political agenda. In the UK renewable gas has the potential to make a significant contribution to our renewable energy and carbon reduction targets for 2020.
>
> **Steve McCulloch**
> MD for Greenlane Europe

Q. Where next for Greenlane?

A. As this market starts to mature we see a growing need for businesses to provide a one stop shop for customers. It's a complex process from AD to gas-to-grid, with interlocking planning and engineering requirements. We are very experienced in dealing with all of these and believe that we can offer a project management service that will enable greater uptake of the opportunities provided by biogas. We are also further developing our technology solutions, we are working on our own membrane product and have signed an agreement with a pressure swing adsorption ("PSA") technology company Sysadvance. While water scrubbing is the leading industry technology these other systems allow us to offer solutions for a wider variety of applications.

Businesses working together to ensure synergies are achieved

We have had another year of great change with the acquisitions of a Glasgow based precision machining business, Quadscot Precision Engineers and the business and certain assets of our Alternative Energy Division technology partner, Greenlane, with operations in Canada, New Zealand and Europe. The acquisition of Quadscot prompted the split of the Engineered Products Division with the precision machining businesses becoming the Precision Machined Components Division. The acquisition of Greenlane gives us a worldwide footprint for the Alternative Energy Division in a market with drivers different from the rest of the Group.

The oil and gas market is the major market for the Group's products accounting for 59% of revenues in the year (2014: 73%). The collapse in the oil price from mid-2014 and its continued weakness through 2015 had a material impact on the Group's results. Sales revenues increased year on year as a result of the full year effect of the acquisition of Roota in March 2014 and the two acquisitions at the beginning of the year. At the same time adjusted operating profits fell as a result of the downturn in the oil and gas market combined with one-off administrative integration costs of bringing Greenlane into the Group.

As part of the integration of the acquisitions, but expanded by our response to the trading environment, the Group's divisions have made significant cost reductions. There has been a reduction of 77 employees amounting to 20% of the total employed at October 2014. These changes have not been at the expense of quality and service and key skills have been retained. All businesses are working on diversifying their customer base and end markets and a major in-sourcing of machined components has been completed.

The key points for the year are:

PRECISION MACHINED COMPONENTS DIVISION

The division is comprised of Al-Met, Roota Engineering and Quadscot Precision Engineers. 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. Roota and Quadscot make a wide range of components for oil and gas pressure systems and downhole tools with Roota generally focusing on larger, longer products and Quadscot on smaller product in a range of high alloy materials.

The division had an excellent first-half performance but demand weakened markedly in the second-half as the downturn in investment in the oil and gas market deepened. Long established customer relationships and the ability to give high quality, short lead time deliveries gave some measure of protection to the order book but at much lower levels than that experienced up to the half-year.

The three businesses are working together well to ensure best practice is being used across the division and synergies are being achieved. Al-Met is now providing an EDM wire cutting service for Roota where this was previously subcontracted. Quadscot has been the main beneficiary of the in-sourcing project not only supplying products to the Engineered Products and Cylinders Division previously subcontracted to external suppliers but also supplying product previously machined in-house in those divisions. The machining sections at Engineered Products and Cylinders have been closed and their machine tools transferred to Quadscot.

Capital expenditure in the division, excluding equipment transfers from other divisions was £0.8 million. Major capital expenditure in the division was focused on Al-Met to improve productivity in the carbide grinding section and in milling. Capital expenditure for 2016 will be focused on extensions to the current product range, where there is known customer demand.

ENGINEERED PRODUCTS DIVISION

The division manufactures 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. It is now comprised of Hydratron Ltd, based in Altrincham, UK and Hydratron Inc., based in Houston, Texas, USA. The division had a difficult financial year moving from an adjusted operational profit in 2014 to a loss in 2015. The US subsidiary experienced an immediate downturn in business at the start of the financial year, which continued throughout the year as oil and gas customers first delayed, then postponed capital equipment purchases. The UK subsidiary entered the financial year with a strong order book and demand but project execution issues on a number of complex high-pressure systems adversely impacted the first-half results through increased operating costs and restricting new order intake. Recovery of this position coincided with a downturn in orders similar to that experienced by the Precision Machined Components Division.

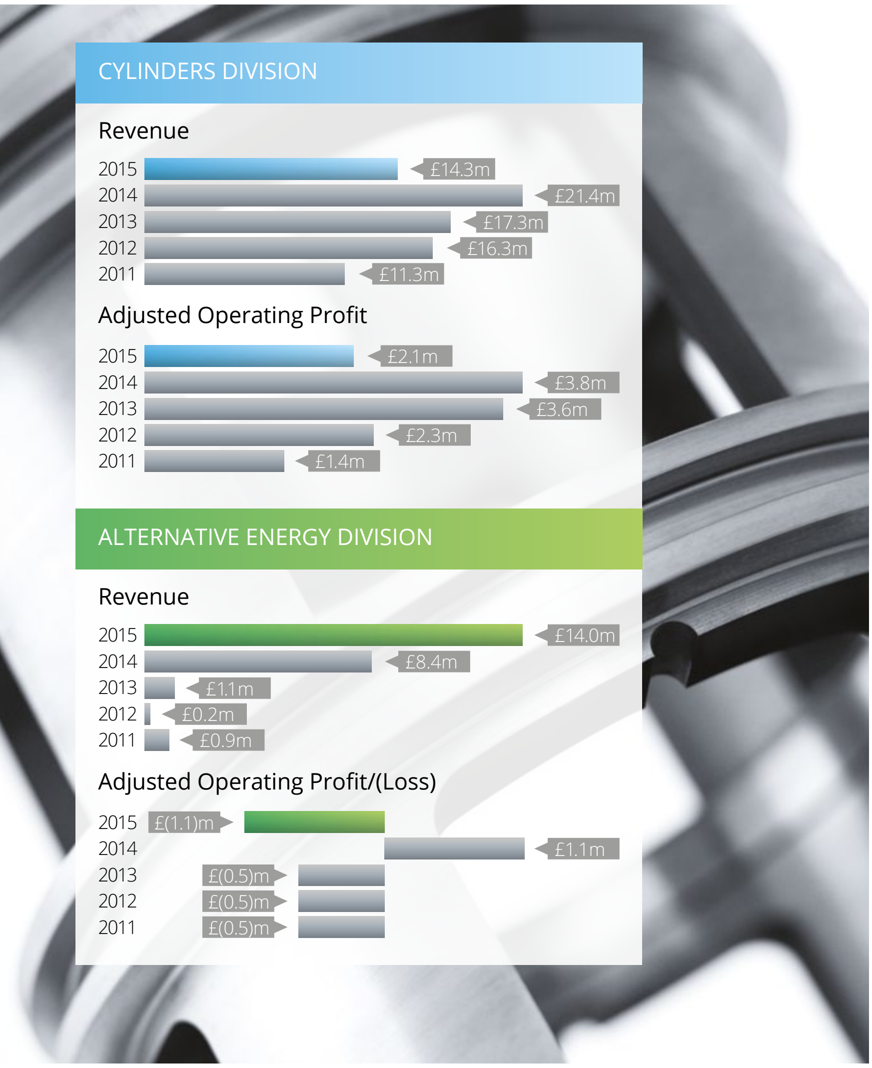
Management of the division has been restructured under a new divisional Managing Director with a dedicated Commercial Director focused on expansion of sales and distribution channels. As noted above, the machining section at Hydratron Ltd was closed and all work transferred to Quadscot at the summer shutdown. Headcount in other sections has also recently been reduced to a level in line with current market conditions. Hydratron Inc. has been restructured as a sales and engineering facility and all large systems builds are now being undertaken in the UK.

In a market where Hydratron has a small market share compared to its two largest competitors, there exists significant organic growth potential and the division is developing its core pump range to extend the product offering. This will make the business more attractive to potential distributors worldwide. Additionally, the US subsidiary has launched a rental service for high pressure units which, although currently small, is making encouraging headway as customers with capital expenditure restrictions are more readily able to rent than buy equipment. If successful, there is potential to replicate this model in other locations.

CYLINDERS DIVISION

Chesterfield Special Cylinders ("CSC"), which supplies a range of high pressure cylinder systems, performed slightly ahead of expectations. Major successes in securing orders for the defence market reduced the effects of a fall in orders into the oil and gas market, which were £11.0 million lower.

Revenue from other markets increased by £3.9 million largely as a result of increased orders from the naval defence market where, with the exception of the USA, CSC is the established leader in sales to NATO and NATO friendly nations. In order to enter US defence and commercial markets a US based sales team has been established based in Pittsburgh, Pennsylvania.



Sales of services increased marginally over the year with a cyclical reduction in trailer reconditioning being more than offset by an increase in the Integrity Management service. Revenues from Integrity Management increased by 53% to just under £0.9 million. The British Standard created by CSC has been approved as a European Standard, EN 16753. This has now been submitted to the International Standards Organisation for approval as an ISO standard.

Capital expenditure in the year of £0.9 million was again centred on forging equipment for ultra-large cylinders which entered production in January 2015. The long-term future of CSC was secured by the Group purchase of the freehold land and buildings at its Meadowhall site.

I am very sad to report that we had a fatal accident at CSC in June. The police have completed their investigation and have advised that no charges for manslaughter will be brought. The accident was not due to a product failure. The Health and Safety Executive ("HSE") is now in charge of the accident investigation and we are cooperating fully. A hearing date has been set for February 2016 and we will report fully on the outcome in due course. Our sympathies are with the family.

Throughout the Group Health and Safety is a priority; the safety of our workforce is of paramount importance. CSC holds OHSAS 18001 accreditation and the Group employs a qualified health and safety manager. We have a strong working relationship with the HSE and an otherwise excellent safety record, especially given the often hazardous nature of our working environment.

The Group's 40% associate Kelley GTM ("KGTM") based in Amarillo, Texas, USA has had a difficult year. Its core market is the US onshore oil and gas market for which it provides gas transportation modules, GTMs. This market has been severely impacted by the fall in oil prices with the number of land based rigs in North America reducing by over 60% in the year and consequently KGTM has struggled to make headway. With no immediate prospect of recovery in the market the Group did not exercise its option to purchase a further 40% of the share capital of KGTM and the investment has been written down.

ALTERNATIVE ENERGY DIVISION

The division is a designer and supplier of equipment to upgrade biogas produced by the anaerobic digestion of organic waste to high quality methane suitable for injection into the gas grid or for use as a vehicle fuel. The division was transformed by the purchase of the business and certain assets of its technology provider, Greenlane, in October 2014. This has given the division a worldwide platform for selling biogas upgrading technology, trading out of the UK, Canada and New Zealand. The upgrader market is driven by environmental subsidy rather than oil and gas prices giving a welcome diversification from the risks of the oil and gas market. Buying Greenlane further reduces risks as our existing business, Chesterfield BioGas, was wholly dependent on the UK market with the inherent possibility of potential changes to Government policy. The divisional strategy is to focus resources on markets where subsidies encourage investment and to move to other markets as these change.

Following the purchase of Greenlane a restructuring was carried out with staffing rationalised across the division where there were areas of duplication. Research and Development has been more closely aligned with market requirements and located and sized accordingly. This included an exercise to properly record core product designs as a basis for future development. Chesterfield BioGas has now been rebranded under the Greenlane name.

As a result of the costs of the integration and rationalisation, completion of a number of low margin older projects and some slippage of projects into 2016, the division made a loss in 2015. At the operating level the operational businesses in the UK, Canada and New Zealand made an adjusted operating profit but the European business made a small loss. The majority of the operating loss in the year is attributable to the cost of restructuring.

The division has a programme of development which will lead to it being "technology agnostic", that is, to have a range of biogas technologies available to give the best solution for customers' requirements. To date the division is able to offer both its core water wash technology and vacuum pressure swing absorption technology licensed from SysAdvance, Portugal. By the half-year it is intended to launch an upgrader product using membrane technology. Having these three technologies will make the division unique in its capability to select the right technology for customers' needs for all sources of biogas.

Development of the core water wash technology is continuing with a re-engineering exercise to cut the complexity and cost of our plants and development of larger capacity plants capable of processing around twice the volume of the largest of the current model range.

Looking at financial year 2016, we have orders for upgraders in North America, Brazil, China and the UK with a considerable pipeline of potential follow on orders for these regions and Europe. The UK market has been stalled pending a review by Government of the Renewable Heat Incentive ("RHI") an announcement on which is expected imminently. Given the UK government's recent statements on the importance of natural gas in meeting environmental targets it is expected that there will be no major changes to the RHI at this time and the Group anticipates that this will be the trigger for an increase in project launches. Growth is also anticipated in the European market, particularly in France and the Netherlands where there are a number of projects at the planning stage. Italy is set to introduce its equivalent of the RHI in the near future and the German market is forecast to start a second wave of biogas upgrading investment. There is potential for significant market growth in China, where environmental protection is a key target of the current five year plan, and we have established a sales presence in that market.

INCREASING OUR SERVICES – INTEGRITY MANAGEMENT

High-pressure gas cylinders degrade from the inside as well as outside. However, many cylinders cannot be removed or easily reached. The British Standards Institution ("BSI") – with input from Chesterfield Special Cylinders – has developed BS 8562, the new standard for the inspection and testing of hard to reach/impossible to remove, gas tubes.

Progress has been achieved in securing ongoing revenue from upgrader projects through the provision of maintenance services. The operational businesses in the division have a target of covering their fixed costs through maintenance contracts.

PEOPLE

Changes in market conditions and the rationalisation of the Alternative Energy Division has seen a major reduction in numbers of employees in the Group, the majority through compulsory redundancies. However, we have been careful to ensure that we have maintained our core skills so that we can continue product and service development and rapidly respond to an upturn in our markets.

We have continued with our apprentice and graduate training schemes as well as in-house and external training for our employees. This is essential for the long-term development of the Group. With the majority of our manufacturing businesses having Managing Directors, senior operational and engineering staff, who are former apprentices, there is a demonstrable career path for our employees.

SUMMARY AND OUTLOOK

This was a tough year for the Group due to the downturn in the oil and gas market. Substantial progress has been made in restructuring to meet the challenges of reduced revenues. With continued pressure on the oil price due to a combination of over-supply and weak demand the Board is of the opinion that any major recovery in that market will not occur before the end of the 2016 financial year. That said, we are structured to expand rapidly to meet increases in demand. The Precision Machined Components Division and Engineered Products Division have short order to delivery lead times of between two and four months and are therefore expected to benefit very quickly from an upturn. The Cylinders Division is expected to see a much slower return to revenues from oil and gas as it is reliant on the building of drillships and semi-submersible oil rigs for its larger orders. In the short-term these divisions continue to seek out new markets, products and services whilst at the same time focusing on cost reduction and efficiency savings.

The Alternative Energy Division has a strong pipeline of potential order as the demand for renewable energy grows worldwide. Development of the division is important to the near-term growth of the Group and we have the significant resources to achieve this.

Whilst current trading conditions for the majority of our businesses remain challenging, the Group is much more diverse and better balanced than in the previous low in the oil and gas market. The Board remains confident in the medium to long-term prospects for the Group.

JOHN HAYWARD
Chief Executive
15 December 2015

The Group has delivered on its strategy to widen its range of activities

Precision Machined Components / Roota

Founded in 1973, Roota is a long established, sub-contract precision engineering company specialising in the manufacture of bespoke engineered products for the oil and gas industry, such as components for high added value ball valves, mandrels, connectors and well-head cleaning tools. Roota's niche lies in the production of highly complex products, with a specialism in machining exotic alloys to exacting tolerances. It has modern manufacturing facilities, located close to Pressure Technologies' existing cylinder business and an impressive "blue chip" customer base.

Visit the Roota website at **roota.co.uk** to read more information

Precision Machined Components / Quadscot

Quadscot was founded in 1990 and is based in Blantyre, near Glasgow, in a modern 32,000 square feet freehold facility. High quality engineering equipment manned by highly experienced engineers and machinists, providing milling, turning, boring, grinding and electric discharge machining, enable it to produce, and deliver on time, bespoke solutions to complex designs. The majority of products relate to exploration and monitoring equipment used in the subsea oil and gas industry. Quadscot has a long established "blue chip" customer base in the oil, petrochemicals and gas sectors.

Visit the Quadscot website at **quadscot.co.uk** to read more information

Precision Machined Components / Al-Met

Al-Met Limited is a niche manufacturer of specialised, precision engineered valve wear parts used in the oil and gas industries. Al-Met's products are used 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. The business, which was established in 1985, has developed a leading edge capability in precision machining carbides and super alloy matrix materials. The ability to combine high alloy steels with tungsten carbide inserts and specialised coatings gives Al-Met its niche position with its customers, global wellhead and subsea equipment OEMs.

Visit the Al-Met website at **almet.co.uk** to read more information

Cylinders / Chesterfield Special Cylinders and Kelley GTM

Chesterfield Special Cylinders is a global market leader in the design and manufacture of speciality high pressure, seamless steel gas cylinders for the offshore oil and gas, defence, industrial gases and alternative energy markets and retesting and refurbishment services.

It also leverages its extensive knowledge and skill base to provide "in situ" testing to the oil and gas and defence markets through its dedicated and highly trained Integrity Management team who are deployed to test and service cylinders in situations where their removal and transportation to a testing facility is difficult, if not impossible.

Kelley GTM is a manufacturer of high pressure gas transport solutions based in Amarillo, Texas.

Visit the Chesterfield website at **chesterfieldcylinders.com** to read more information

Engineered Products / Hydratron and Hydraton Inc.

In the UK Hydratron designs, manufactures and sells a range of air operated high pressure liquid pumps, gas boosters, power packs, hydraulic control panels and engineered test systems. Hydratron Inc., based in Houston has recently been restructured to focus on sales and rental, support and small local engineered system applications into southern USA, complementing Hydratron's wider sales channels around the world.

Visit the Hydratron website at **hydratron.com** to read more information

Alternative Energy / Greenlane Biogas

Greenlane is one of the world's largest suppliers of biogas upgrading technology; commanding a substantial market share, it is the acknowledged leader in upgrading biogas to biomethane. The two largest biogas upgrading plants in the world at Güstrow, Germany, and Montreal, Canada, use Greenlane's pressurised water scrubbing systems.

The business is split into three geographical regions; North and South America and China, serviced out of Vancouver, Canada; Europe, serviced out of Sheffield, UK; and South East Asia and Australasia serviced out of Auckland, New Zealand.

A continuous programme of Research and Development ensures that Greenlane remains at the leading edge of biogas upgrading technology.

Visit the Greenlane Biogas at **greenlanebiogas.co.uk** to read more information

Group operating cash conversion was a significant increase over the prior year

Precision Machined Components ("PMC") is contributing very positively. The nature of the products and highly skilled manufacturing processes in the division commands higher margins than elsewhere in the Group and overall the division achieved £4.5 million adjusted operating profit, a return on sales of 23.9%, for the full year (2014: 23.1%). There are further benefits to be achieved through the continued monitoring of the cost base in light of the persisting lower volumes, opportunities for further divisional synergies and Group machining in-sourcing which should at least maintain the current level of profitability in this division going forward.

Engineered Products has had a very difficult second half and ended with a loss, worsening from the near break-even position at the half year. This arose predominantly as the division's cost base had been geared up for the much higher volumes which did not materialise. This has resulted in a disappointing loss for the year. A recovery plan commenced in August which led to higher than anticipated exceptional costs but leaves the division well placed to return to profitability in 2016.

The actions taken in the second half to respond to the conditions in the oil and gas market and align our cost base with the anticipated lower volumes in this market are expected to maintain the current levels of profitability despite the volume and pricing pressures anticipated in 2016. The expected operating loss in Alternative Energy arose from certain legacy Greenlane loss-making contracts, a high fixed cost base in the early months of the year which has now been addressed through redundancy (employee numbers fell 30% over the year) and £0.7 million in relation to other one-off administrative costs in respect of the core product designs. Overall, the division performed as expected in the year and the benefits of reorganisation will flow through fully in 2016.

OVERVIEW

I am delighted to be presenting my first financial review. It is an exciting time for the Group as the divisional structure becomes embedded and the strategic plans progress. Whilst market conditions in the second half of the year were tough, the recent acquisitions are integrating well and the Group is benefiting from the divisional synergies and greater diversity.

REVENUE

Revenue has increased by 2.9% year-on-year. 2015 benefited from a full year of Roota (acquired 5 March 2014), and the acquisitions of Quadscot and Greenlane at the start of the period, which offset the anticipated decline in revenue in Cylinders and Engineering Products. The underlying like-for-like performance of the Group, excluding all the recently acquired businesses, was a fall in revenue of 24.4% which highlights the positive impact of the strategic decisions taken by the Board to acquire Roota, Greenlane and Quadscot. The second half of the year was tougher across the Group and the second half revenues fell by almost 27% compared to those reported at the interim results. This decline was particularly marked in the Precision Machined Components Division which is concentrated in the oil and gas sector and was also adversely impacted by the timing of orders in the Alternative Energy Division.

PROFITABILITY

The first year integration of acquisitions and the changing portfolio of companies in the Group have led to a mix of profitability quite different to that experienced in prior years. At the Group level, Return on Revenue (based on adjusted operating profit) for the year is 5.9%, compared to 14.5% in the prior year.

Cylinders ("CSC") has performed well, finishing ahead of market expectation, despite the volume decline and selling price pressures in the second half. The sales mix in the year has resulted in a 3.0ppt fall in return on sales year on year. However the business remains stable and profitable.

EXCEPTIONAL RESTRUCTURING COSTS

Exceptional restructuring costs of £0.7 million were incurred (2014: nil), the most significant of these related to the planned post acquisition restructuring of the Alternative Energy Division, the balance arising in Engineered Products and at Group.

ACQUISITIONS

On 1 October 2014 the Group completed the acquisition of the business and assets of Greenlane Biogas Holdings Ltd and its various subsidiaries. The maximum total consideration is NZ$25.0 million (£12.4 million) comprising an initial consideration of NZ$12.0 million (£6.0 million) with additional deferred payments split over four years of up to a maximum of NZ$13.0 million (£6.2 million). The initial consideration was met from the Group's existing cash resources.

On the same date the Group acquired 100% of the share capital of Quadscot Holdings Ltd for an initial consideration of £7.9 million (plus cash balances acquired) and deferred consideration up to a maximum of £3.0 million based on the financial performance of the business over the two years immediately following acquisition. The acquisition was funded by drawing on £7.0 million from the Group's banking facility with the balance funded from the Group's existing cash resources.

As detailed in Note 22 a total of £6.0 million deferred consideration is provided for at the balance sheet date. This comprises the final year of the Roota deferred consideration and that expected to become payable in respect of Greenlane. All deferred consideration obligations have been assessed against the latest financial forecasts of the individual businesses compared to the minimum and maximum EBITDA targets set out in the respective acquisition agreements. The provision of £1.8 million previously held in respect of Quadscot has been released at the year-end as, despite the profitability of the business, the EBITDA target required in 2016 to trigger payment is no longer expected to be achieved.

FINANCIAL HIGHLIGHTS

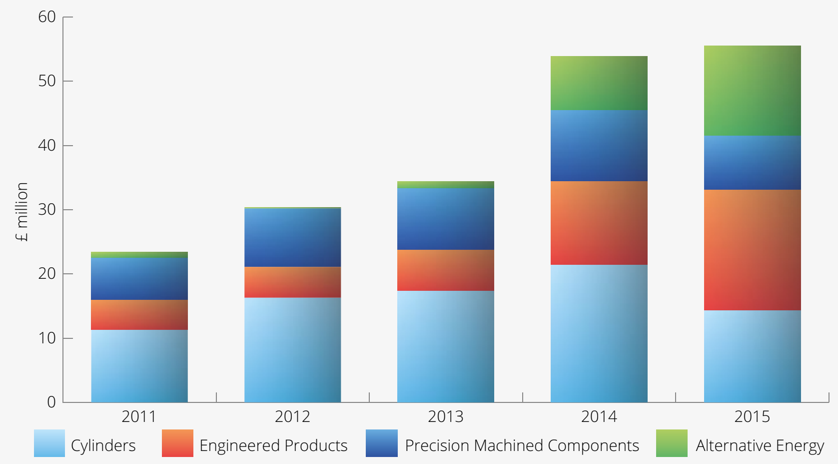
Revenue
£55.6m
(2014: £54.0m)

Adjusted EBITDA
£4.7m
(2014: £8.7m)

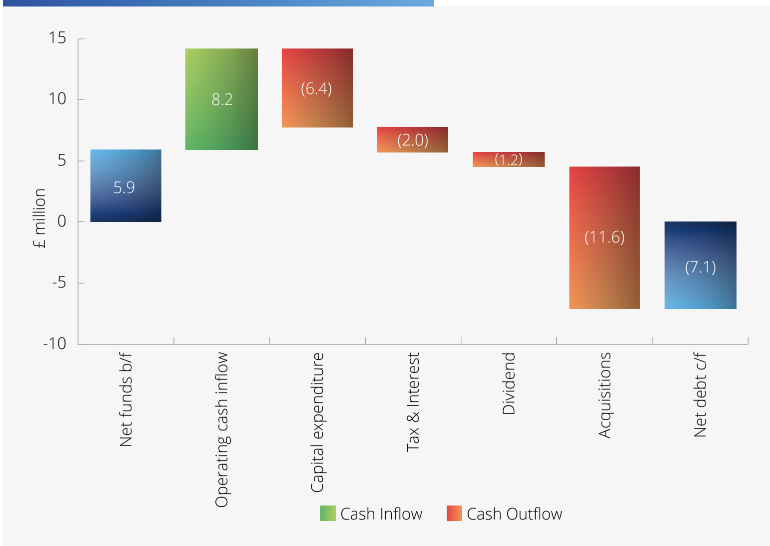
Profit Before Taxation
£0.6m
(2014: £5.3m)

Operating Cash Flow
£7.9m
(2014: £3.4m)

FIVE YEAR SALES ANALYSIS



GROUP CASH FLOW



CASH FLOW

Operating cash inflow from trading operations was £7.9 million (2014: £3.4 million), despite the fall in sales in the second half cash inflow remained positive. This is largely driven by the Precision Machined Components Division which, following the Roota and Quadscot acquisitions, has the highest cash conversion of the Group contributing over £5.0 million of the total cash inflow over the year.

The non-trading cash outflows in the first half of the year were significant and included the acquisitions of Quadscot and Greenlane, Roota's deferred consideration, the purchase of the Meadowhall site and restructuring. These non-recurring outflows totalled £15.1 million in the year (2014: £12.9 million).

Following the reorganisation and integration, divisional management are increasingly focused on the operating cash conversion ratio. The Group operating cash conversion ratio was 2.41x, a significant increase over the prior year (2014: 0.43x), despite the anticipated cash requirements of the Alternative Energy Division and the disappointing result of the Engineered Products Division.

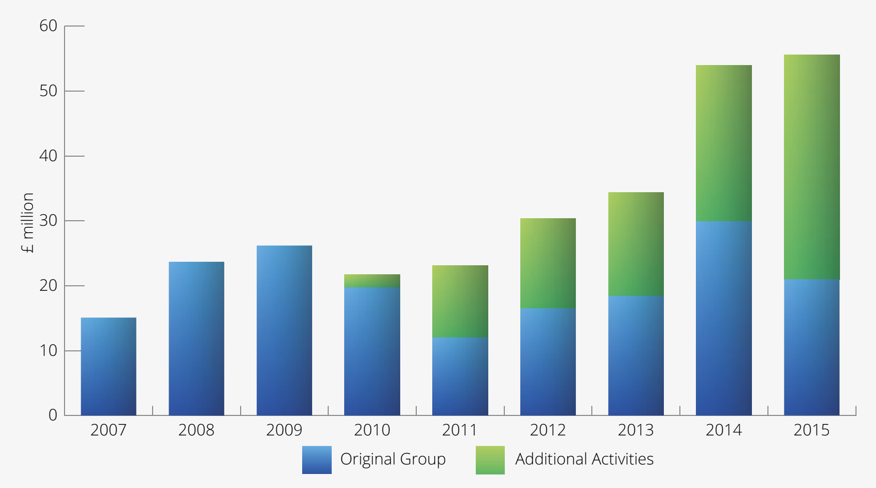
BORROWINGS

In October 2014 the Group concluded a new four year banking facility with Lloyds Banking Group. The facility which is available until 30 September 2018 comprises a £15 million multi-currency revolving credit facility and an accordion feature that allows the total revolving credit facility to be expanded by a further £10 million subject to certain conditions set out in the agreement.

At the year-end £10 million of the revolving facility was drawn down and the accordion was not utilised. This was a reduction from the half year of £1.5 million and leaves £15 million giving £7.9 million headroom at the year-end date. Net Debt ended lower than the half-year at £7.1 million. The second half reduction in net debt resulted from the cash generation of the trading operations and a normalised level of non-trading related outflows.

The Group complied comfortably with all financial covenants on the banking facilities during the year.

SUMMARY OF SALES – ORIGINAL GROUP AND ADDITIONAL ACTIVITIES



FOREIGN EXCHANGE

The Group has a number of major exposures to movements in foreign exchange rates related to both transactional trading and revaluation of overseas investments and deferred consideration liabilities.

In the year under review, the principal exposures, which arose from trading activities, were to movements in the value of the Euro and US Dollar relative to Sterling. As Group companies both buy and sell in overseas currencies, particularly the Euro and US Dollar, there is a degree of natural hedge already in place. At the transactional level, where exchange movements are quickly realised, foreign exchange contracts are taken out to cover the majority of this exposure. As at the 3 October 2015 contracts were in place to cover the forward sale of €1.0 million and US$0.4 million.

In 2015 a net gain of £0.2 million (2014: £0.03 million) has been recognised in adjusted operating profit in respect of realised and unrealised transactions in NZ Dollar, CA Dollar and US Dollar. A further £0.4 million gain arising from the revaluation of the Greenlane deferred consideration liability denominated in NZ Dollar has been taken below adjusted operating profit.

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

TAXATION

The effective tax rate for the Group in 2015 was a credit of 21.0% (2014: effective tax charge of 30.6%). Adjusting to exclude the release of the deferred consideration liability of £1.7 million which does not give rise to a taxable credit the effective tax rate would have been a credit of 10.3% (2014: adjusted effective tax charge of 23.6%).

During the year the current tax rate reduced to 20% for the fiscal year 2015/6, the applicable tax rate for the year is therefore 20.5% (2014: 22%). This reduction in rate and the effects of unrealised losses overseas have resulted in a lower effective tax rate than the current tax rate.

Corporation tax paid in the year totalled £1.8 million, all of which relates to the UK.

JOANNA ALLEN
Finance Director
15 December 2015

Building the future of our business

Gary has been with Quadscot for 9½ years. He completed his apprenticeship in 2010 and achieved an HNC in Mechanical Engineering.

Gary Matthews, Quadscot
5 Axis CNC Machinist

At the core of every business in the Pressure Technologies Group is a highly skilled and specialist workforce.

Three of our divisional MDs are former apprentices. The benefits of apprenticeship training are manifold. Being trained from the shop floor up gives our employees, and especially those who go on to become senior managers, a comprehensive understanding of product development and production. It is this, which we believe is the essence of meeting customer product requirements and enables us to command a high regard and reputation in niche markets.

We have 20 apprentices around the Group concentrated in our Cylinders and Precision Machined businesses where the precision skills required are best learned on the shop floor. We have a good retention rate for apprentices with many who go in to become senior managers. Some of our apprentices have been with the Group their whole career.

Career development is encouraged through suitable training and the Group operates a number of formal education programmes extending from apprenticeships through to post-graduate development. We have funded and supported a number of senior managers to complete MBAs. We believe that through this level of support our employees become highly skilled and as committed to the Group as we are to them. We believe this gives us a loyal, highly skilled and sustainable workforce.

NEW APPRENTICES EMPLOYED IN 2015
8

APPRENTICES PROMOTED
2

Pressure Technologies prides itself on the Group's reputation for being honest and fair in the way we work with customers, suppliers, governments, fellow employees, shareholders, competitors and our local communities.

The way we do business encourages involvement at every level of the business and creates strong support between the Group and its employees.

Al-Met Toolmakers, Karl Downes and Andrew Davies embarked on an epic charity bike ride from Cardiff to Paris on the 27 May 2015. Karl and Andrew were part of a team of over 40 other cyclists who set off from the Millennium Stadium, Cardiff for Paris. Stopping first in Frome, then onto Southampton, before getting the ferry on Friday 29 to finish the cycle in Paris on Saturday 30 May.

The team raised over £56,000 and Karl and Andrew raised almost £4,000 between them, with Al-Met sponsoring them £500 each. All proceeds went to Tenovus, the cancer charity that works to help prevent, treat and find a cure for cancer.

Measured performance

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

FINANCIAL PERFORMANCE

GROWTH AND RETURN

Growth is measured in terms of sales revenue.

The efficiency of converting sales into profits is measured in terms of return on revenue, calculated as Operating Profit divided by revenue. (Fig. 1). The Group targets an overall return on revenue of at least 15%.

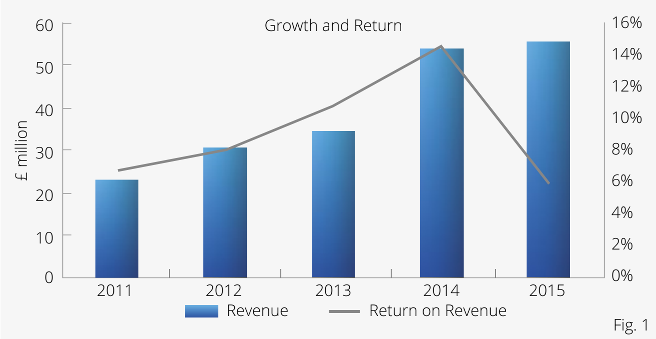


Fig. 1

CASH CONVERSION

The cash conversion ratio measures the proportion of Operating Profit converted into cash in the period (Fig. 2). This is calculated as "cash flows from operating activities" divided by Operating Profit. The minimum target cash conversion ratio is 1, although each division has a separate target relevant to its business activity and cycle.

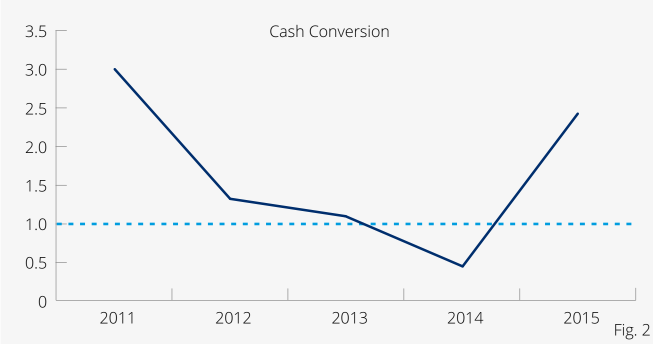


Fig. 2

NET DEBT RATIO

In 2015 the Group has taken on bank borrowings and the ratio of Net Debt to EBITDA is therefore relevant to be measured from 2015 onwards (Fig. 3). This is calculated as Net Debt (cash and cash equivalents less borrowings) divided by EBITDA.

Net Debt Ratio

1.5x

(2014: not applicable)

Fig. 3

SHAREHOLDERS

EARNINGS PER SHARE

Adjusted earnings per share is used as a measure of shareholder return. (Fig. 4) details of the calculation of adjusted EPS can be found in the Finance Director's report.

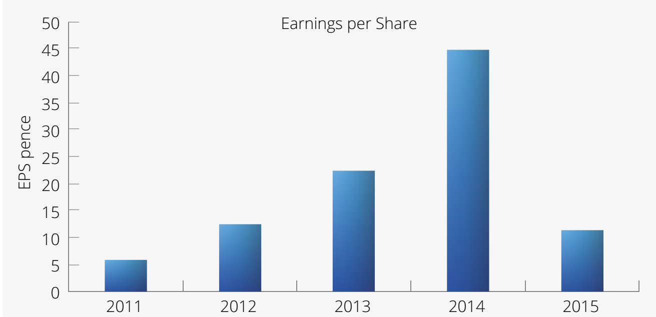


Fig. 4

CORPORATE SOCIAL RESPONSIBILITY

HEALTH & SAFETY

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

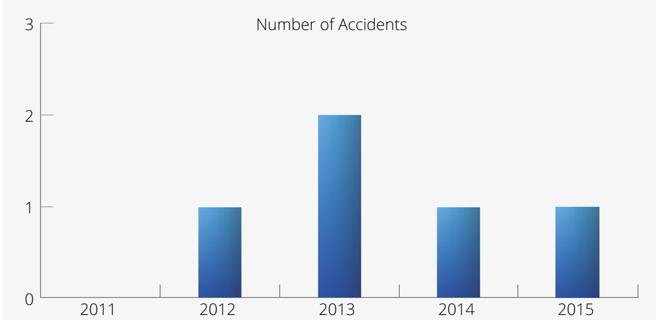


Fig. 5

ENVIRONMENT

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

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

RISKS AND UNCERTAINTIES

Minimised risk

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

Risk and Impact	Impact on Strategy	Management Strategy	Probability	Impact
Strategic				
Economic/Market downturn *The Group has a significant exposure to the deep-water oil and gas sector.* A continued downturn in the deep water oil and gas sector would have a significant impact on results of the Cylinders, Engineered Products and Precision Machined Components Divisions.	1 2 3	The Group continues to develop programmes for new products and services to dilute the proportion of total revenues into these markets and, by growing other activities of the Group, both organically and by acquisition. The recent acquisition of Greenlane Biogas has helped balance the Group's portfolio away from the deep water oil and gas sector and has contributed to 25% of revenues in the period. The Group ensures that it has a suitable structure and product offerings for the new market conditions.	High	Medium
Competition *The Group has a number of suppliers who are also competitors.* The Group has a number of major competitors in some of its key markets who offer a wider range of products. Some of these competitors are also suppliers to various Group businesses. This exposes the Group to a risk that they might seek to displace Pressure Technologies position in the market.	2 3	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. As part of the longer term strategy, the Group continues to expand into high value, niche markets, where there are fewer competitors and the barriers to entry are higher. Product development is pursued in order to maintain and grow the product range and reduce reliance on competitive suppliers. Key Account Management, to build long term relationships and retain high value customers, forms part of the Group's Strategic Plan.	Medium	Medium

A reminder of our Strategy:

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

RISKS AND UNCERTAINTIES CONTINUED

Risk and Impact	Impact on Strategy	Management Strategy	Probability	Impact
Strategic continued				
Pricing *The Group is exposed to considerable price pressure in the oil and gas sector as well as facing increasing competition from low cost manufacturers.* The Group faces continued price pressure due to the current market dynamics following the fall in oil and gas prices. Certain divisions also increasingly operate in markets where its major competitors are based in low cost countries which have considerable cost advantages and are able to undercut on pricing.		The Group has set minimum return on investment and 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 supply chain management to mitigate the impact of pricing pressures. Divisional purchasing initiatives being put in place across PMC as well as "insourcing" of manufacturing within the Group.	High	Medium
Operational				
Management resource *The Group has a small management team.* 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.	1 2 3	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. The Group has adopted a policy restricting the number of Directors travelling together.	Low	Medium
Key employee knowledge/skill base *The Group relies on skilled artisans who are often difficult to find in the market.* For certain business units strategic skills required on the shop floor are difficult to acquire and the age profile of the workforce means that there is a risk that knowledge will be lost or there will not be enough staff available to support ongoing business and the planned expansion of the businesses.	1 2	Individual business units are tasked with ensuring adequate cover to maintain operations. There is a programme of training around the Divisions to ensure the company develops the skills required via apprenticeship programmes and internal development. As business grows additional management capacity is added, ensuring capacity and duplication is available for critical mass, particularly on the machining side. The Group provides attractive employment terms and conditions to ensure the businesses attract and retain suitable craftsmen.	Low	Medium

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Risk and Impact	Impact on Strategy	Management Strategy	Probability	Impact
Operational continued				
Customer concentration/disruption *The Group has a number of businesses with a high dependence on very small number of customers.* The long term relationships and niche nature of the Group's businesses particularly within the Precision Machined Components and Precision Engineering Divisions, mean that the businesses have a strong concentration of key customers accounting for over 70% of their respective sales revenue. The loss of one of these customers would materially affect Group results.		The Group seeks to intelligently manage the customer selection and retention program. The Group's strategic plans focus on increasing the customer base to mitigate this risk through acquisition, diversification and customer retention. Key Account Management across the Group is incorporated into the Group's strategic plan.	Medium	Medium
Alternative Energy Division Growth *The Group has a high reliance on the growth of the Alternative Energy Division in order to support the overall Group.* The growth in the coming 12–18 months is reliant on the Alternative Energy Division and its failure to achieve its growth targets would have a material impact on the Group.		The Division is focusing on developing key relationships with funders and major Engineering, Procurement and Construction providers, positioning itself as a preferred partner in order to secure long-term businesses through repeat orders. New product development forms a core strategic objective with the development of Pressure Swing Absorption ("PSA") and membrane technology to become "technology independent" and gain additional market share.		
Financial				
Liquidity and funding management *The Group's growth requires higher funding requirements.* The Group faces the risk that the facility becomes unavailable due to a failure to meet covenants.	2 3	The Group has extended Group banking facilities until end September 2018. The Group's liquidity and funding position is monitored monthly and reviewed at Group Board level. The Group maintains and continually develops reliable and accurate reporting methodology.	Low	High
Foreign currency *Movements in exchange rates could potentially impact Group revenue.* The Group has operations and contracts in a number of overseas countries and purchases some of its raw materials and receives payment for some of its products in a number of currencies. The acquisition of Greenlane has further exposed the Group to foreign exchange risk.		The Group has natural hedges for its Euros and US Dollar foreign currency exposure. It remains less covered for SKD and NZ Dollars transactions, although volume of these is limited. The Group Treasury discipline does not allow the Divisions to do any foreign exchange trading. Regular reviews of the net exposure are carried out and where it is deemed necessary the exposure is reduced by the use of forward exchange contracts.	Medium	Low

Risk and Impact	Impact on Strategy	Management Strategy	Probability	Impact
Compliance				
Tax *Risk of failure to comply with tax regulations.* With the wider geographic spread of the Group and the different operating activities within Group businesses, the Group is exposed to a variety of tax regimes and risks failing to understand the requirements of individual country tax regulations. There is also the risk that the Group fails to maximise opportunities from efficient tax planning.		The Group will outsource certain compliance functions, principally in more remote locations like New Zealand and make use of third party advice on region by region basis. The group will put in place a tax strategy and planning policy which addresses the complexities of operating a global business.	Low	High
Compliance and Corruption risks *The Group is subject to risk from a failure to comply with laws and regulations.* The Group has contracts and operations in many parts of the world and operates in a highly regulated environment. The Group must ensure that all of its businesses, its employees and third party parties providing services on its behalf, comply with all relevant legal obligations as non-compliance would expose the Group to fines, penalties, suspension, debarment and reputational damage.		The Group operates under the principles defined in the UK Bribery and Corruption Act which stipulates the standards of acceptable business conduct required from all employees and third parties acting on the Group's behalf. A program of training in relation to ethics and corruption, based on the UK Bribery and Corruption Act has been implemented.	Low	Medium

APPROVAL OF THE STRATEGIC REPORT

The Strategic Report, as set out on pages 01 to 35, has been approved by the Board.

By order of the Board

JOHN HAYWARD
Chief Executive
15 December 2015

A reminder of our Strategy:

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2. Identify and develop profitable niche opportunities in growth sectors
3. Identify and develop profitable acquisition opportunities

Around the Group we have a total of 20 apprentices.

Apprentice and graduate training schemes as well as in-house and external training for our employees is essential for the long-term development of the Group. With the majority of our manufacturing business Managing Directors, senior operational and engineering staff, former apprentices there is a demonstrable career path for our employees.

DIRECTORS AND ADVISERS

Diverse and strong leadership

COMPANY INFORMATION

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06135104

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Nominated advisor
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Commercial House
Commercial Street
Sheffield, S1 2AT

Bankers
Lloyds Bank
14 Church Street
Sheffield, S1 1HP

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

Company Secretary
Alex Tristram

KEY

1. ALAN WILSON
Non-executive Chairman

A N R

Appointed: February 2013
Experience: Alan is a degree qualified Chartered Engineer with 33 years of experience from working in the oil and gas industry, the majority of which has been served at senior management and board level. His experience spans most aspects of the industry life cycle including; oil company operations, major capital projects, support services and product manufacturing.
Other roles: Alan also serves as Chairman and Non-executive Director of other private equity-backed and privately owned companies within the oil and gas sector.

2. JOHN HAYWARD
Chief Executive

Appointed: June 2007
Experience: John joined the Company in 1997 when it was part of United Engineering Forgings. He led the MBO in 2004 that created Chesterfield Special Cylinders and then assumed the role of Chief Executive of Pressure Technologies on admission to AIM. John is a qualified accountant and has finance and general management experience in the steel, chemicals and engineering sectors. In 2008 he was the UK Ernst and Young Entrepreneur of the Year® for manufacturing. He holds a degree in Physics from Oxford University.

3. JOANNA ALLEN
Group Finance Director

Appointed: July 2015
Experience: Joanna joined Pressure Technologies in July 2015 from PwC where she was a Director in their North Assurance practice, based in Sheffield. She has a BA Honours degree in Business Studies from the University of Sheffield and joined PwC as a graduate in 1998, qualifying as a Chartered Accountant in 2001. She became a Director in 2008 and her experience covers both audit and transaction services with a particular focus on working with clients in the manufacturing and engineering sectors.

4. PHILIP CAMMERMAN
Non-executive Director

A N R

Appointed: April 2008
Experience: Philip has over 20 years' industrial experience in engineering and hi-tech industries and has worked in both the UK and USA. He spent 23 years in the venture capital industry, playing a major part in the development of the YFM Group into the most active investor in UK SMEs.
Other roles: Following his retirement from the YFM Group in 2008, he has developed a small but proactive portfolio of non-executive directorships in the engineering and finance sectors.

5. BRIAN NEWMAN
Non-executive Director

A N R

Appointed: September 2015
Experience: Brian is a Chartered Engineer with a degree in Engineering from Cambridge University and an MBA from Penn State University, USA. He has been a Divisional Director at two FTSE 100 companies, latterly at Melrose plc as EMEA Managing Director at its subsidiary, Bridon International Group. Prior to that he spent nine years as a Divisional Managing Director at international engineering group GKN plc, with responsibility for its global Wheels and Axles Divisions. He has over 40 years' experience in engineering having also previously served on the boards of two listed companies.
Other roles: He is currently a Non-executive Director with Teknomek Ltd, Shrewsbury and Telford Hospital NHS Trust and a number of other organisations.

6. NEIL MACDONALD
Non-executive Director

A N R

Appointed: June 2013
Experience: Neil is a Chartered Accountant with 25 years of experience in the oil and gas and engineering industries. He was Group Finance Director of AES Engineering Limited, a successful, fast growing, privately owned mechanical seals manufacturer, for 5 years until September 2012. Prior to this, he was Group Finance Director of the international aerospace company, Firth Rixson, both as a listed company and under private equity ownership. Neil has valuable experience in the oil and gas sector and general M&A.
Other roles: Neil is a Non-executive Director of Sheffield Children's Hospital NHS Foundation Trust, an Independent Governor on the Board of Sheffield Hallam University and is a Trustee of various charitable organisations.

COMMITTEES

A Audit and Risk Committee
N Nomination Committee
R Remuneration Committee

Chairman
Member

REPORT OF THE REMUNERATION COMMITTEE

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

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

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

A) BASIC SALARY AND BENEFITS

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

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

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

B) ANNUAL PERFORMANCE RELATED CASH BONUS SCHEME

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

C) LONG TERM INCENTIVE PLAN

The Company has introduced a long term incentive plan whereby, at the discretion of the Remuneration Committee, share options are granted to executive directors and senior managers on a rolling annual basis.

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

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

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

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

D) SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Particulars of Directors' emoluments are as follows:

	Salary and fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Total 2015 £'000	Total 2014 £'000	Employers' national insurance 2015 £'000	Employers' national insurance 2014 £'000
Non-Executive:								
Alan Wilson	**45**	**—**	**—**	**—**	**45**	48	**—**	—
Philip Cammerman	**30**	**—**	**—**	**—**	**30**	30	**3**	3
Nigel Luckett*	**28**	**—**	**—**	**—**	**28**	30	**3**	1
Brian Newman**	**3**	**—**	**—**	**—**	**3**	—	**—**	—
Neil MacDonald	**30**	**—**	**—**	**—**	**30**	45	**3**	5
Executive:								
John Hayward	**192**	**1**	**—**	**20**	**213**	275	**25**	34
Joanna Allen***	**29**	**—**	**—**	**3**	**32**	—	**4**	—
Thomas James Lister****	**103**	**1**	**—**	**11**	**115**	223	**13**	27
Total emoluments	**460**	**2**	**—**	**34**	**496**	651	**51**	70

*(Resigned 1 September 2015)
**(Appointed 1 September 2015)
***(Appointed 13 July 2015)
****(Resigned 30 June 2015)

The remuneration of Alan Wilson and, from April 2013 to March 2014, for Nigel Luckett, was paid to management companies which they control.

The number of Directors who accrued benefits under money purchase pension arrangements in the period was three (2014: two).

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

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

	Total 2015 £'000	Total 2014 £'000
Non-Executive:		
Philip Cammerman	**3**	3
Nigel Luckett (Resigned 1 September 2015)	**6**	6
Executive:		
John Hayward	**84**	80
Thomas James Lister (Resigned 30 June 2015)	**6**	2
Total dividends paid to Directors	**99**	91

DIRECTORS' OPTIONS

The Directors' interests in share options are as follows:

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

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

	John Hayward No.	Joanna Allen No.
Outstanding at the beginning of the period	24,972	—
Granted during the period	38,028	4,466
Outstanding at the end of the period	**63,000**	**4,466**

	Thomas James Lister No.
Outstanding at the beginning of the period	153,722
Granted during the period	30,634
Outstanding at the cessation of directorship	**184,356**

On behalf of the Board

PHILIP CAMMERMAN
Chairman, Remuneration Committee
15 December 2015

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the period from 28 September 2014 to 3 October 2015.

PRINCIPAL ACTIVITIES

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

CYLINDERS

Chesterfield Special Cylinders Limited ("CSC") whose principal activities are the design, manufacture, testing and reconditioning of seamless steel high pressure gas cylinders. CSC has one subsidiary, CSC Deutschland GmbH, based in Germany.

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

PRECISION MACHINED COMPONENTS

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

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

On 1 October 2014, the Group acquired 100% of the issued share capital of the Quadscot Group of companies ("Quadscot") whose principal activity is the manufacture of precision engineered products for use in the oil and gas industry. Further details of the investment are given in note 30 to the financial statements.

ENGINEERED PRODUCTS

The Hydratron Group of Companies, ("Hydratron Limited" 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

Greenlane Biogas UK Limited ("GBUK"), formerly Chesterfield BioGas Limited ("CBG"), whose principal activity is the provision of turnkey solutions for the cleaning, storage and dispensing of gas for injection into the grid or use as a vehicle fuel.

On 1 October 2014, the Group acquired the trade and certain assets of the Greenlane Group of companies, whose principal activity is the provision of Biogas upgraders using waterwash technology. Further details of the investment are given in note 30 to the financial statements.

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income is set out on page 46. The profit on ordinary activities before taxation of the Group for the period ended 3 October 2015 amounted to £0.6 million (2014: £5.3 million).

An interim dividend of 2.8p per share was paid during the period (2014: 2.8p). The Directors recommend the payment of a final dividend of 5.6p per share (2014: 5.6p).

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 2015 (2014: nil).

SUBSTANTIAL SHAREHOLDINGS

As at 18 November 2015, 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
Liontrust Asset Management	1,346,783	9.3%
Schroder Investment Management	1,165,701	8.1%
City Financial	1,130,000	7.8%
John Hayward	1,002,221	7.0%
Hargreave Hale	812,000	5.6%
Hargreaves Lansdown	655,888	4.6%
James Sharp	644,720	4.5%
Artemis Investment Management	517,500	3.6%
Unicorn Asset Management	467,167	3.2%
Aviva Investors	430,662	3.0%

DIRECTORS AND THEIR INTERESTS

The present Directors of the Company are set out on pages 36 and 37.

All directors were directors throughout the period unless otherwise stated.

ORDINARY SHARES	**3 October 2015 No.**	27 September 2014 No.
John Hayward	**1,002,221**	1,002,221
Philip Cammerman	**33,395**	33,395
Thomas James Lister (resigned 30 June 2015)	**—**	66,000
Nigel Luckett (including 7,667 shares held by his wife) (resigned 1 September 2015)	**—**	70,000
Neil MacDonald	**5,200**	5,200
Alan Wilson	**—**	—
Joanna Allen (appointed 13 July 2015)	**—**	—
Brian Newman (appointed 1 September 2015)	**—**	—

SHARE OPTIONS

On 12 December 2014, options were granted over 90,547 ordinary shares under the rules of the Company's long term incentive plan. The options have an exercise price of 473.3p. On 25 June 2015, options were granted over 111,665 ordinary shares under the rules of the Company's long term incentive plan. The options have an exercise price of 225p. The options are exercisable between three and six years following the date of grant.

On 30 July 2015 options were granted over 281,565 ordinary shares under the rules of the Pressure Technologies plc Save-As-You-Earn Scheme at an exercise price of 161.2p. The options are exercisable after three years and lapse six months after this date if they are not exercised.

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

FINANCIAL INSTRUMENTS

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

The Group's principal financial instruments comprise cash and bank 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 25 to the consolidated financial statements.

DIRECTORS' INDEMNITIES

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

EMPLOYEE INVOLVEMENT

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

DISABLED PERSONS

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

GOING CONCERN

Management has produced forecasts for all business units which have been reviewed by the Directors. These demonstrate that the Group is forecast to generate profits and cash in 2015/2016 and beyond and that the Group has sufficient cash reserves and bank facilities 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS CONTINUED

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
- The Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

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

AUDITOR

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

CORPORATE GOVERNANCE

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

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS AND RELATED INFORMATION

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

By order of the Board

JOHN HAYWARD
Chief Executive
15 December 2015

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

We have audited the financial statements of Pressure Technologies plc for the period ended 3 October 2015 which comprise the group statement of comprehensive income, the group and parent company balance sheets, the group statement of changes in equity, the group statement of cash flows, the group statement of changes in equity, the group and parent reconciliation of movements in shareholders' funds and the related notes. 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 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 43, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 3 October 2015 and of the Group's profit for the period then ended
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- The parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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 Strategic Report and 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
- The parent Company financial statements are not in agreement with the accounting records and returns
- Certain disclosures of Directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit

MARK OVERFIELD BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
15 December 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 53 WEEK PERIOD ENDED 3 OCTOBER 2015

	Notes	**53 weeks ended 3 October 2015 £'000**	52 weeks ended 27 September 2014 £'000
Revenue	1	**55,570**	54,015
Cost of sales		**(39,892)**	(38,277)
Gross profit		**15,678**	15,738
Administration expenses		**(12,383)**	(7,904)
Operating profit pre acquisition costs, amortisation on acquired businesses and exceptional charges and credits	1	**3,295**	7,834
Separately disclosed items of administrative expenses:			
Acquisition related exceptional items and amortisation	5	**(291)**	(1,556)
Other exceptional charges and credits	6	**(425)**	—
Operating profit		**2,579**	6,278
Finance income	2	**15**	32
Finance costs	3	**(457)**	(60)
Exceptional costs in relation to the option on and loan to KGTM	7	**(1,408)**	(718)
Share of losses of associate	18	**(151)**	(183)
Profit before taxation	4	**578**	5,349
Taxation	11	**121**	(1,638)
Profit for the period attributable to owners of the parent		**699**	3,711
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences on translation of foreign operations		**(10)**	10
Total comprehensive income for the period attributable to the owners of the parent		**689**	3,721
Earnings per share – basic	12	**4.9p**	28.5p
– diluted	12	**4.8p**	27.9p

All of the above results are from continuing operations.

The accounting policies and notes on pages 50 to 84 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 3 OCTOBER 2015

	Notes	3 October 2015 £'000	27 September 2014 £'000
Non-current assets			
Goodwill	14	**15,020**	7,081
Intangible assets	15	**13,451**	6,960
Property, plant and equipment	16	**14,348**	7,802
Deferred tax asset	26	**270**	155
Trade and other receivables	20	**—**	1,575
Investment in associates	18	**—**	123
		43,089	23,696
Current assets			
Inventories	19	**7,414**	8,819
Trade and other receivables	20	**13,539**	20,561
Cash and cash equivalents		**3,459**	6,356
Derivative financial instruments	21	**26**	43
Current tax asset		**82**	—
		24,520	35,779
Total assets		**67,609**	59,475
Current liabilities			
Trade and other payables	22	**(13,025)**	(16,453)
Borrowings	23	**(337)**	(180)
Current tax liabilities		**—**	(1,183)
		(13,362)	(17,816)
Non-current liabilities			
Other payables	22	**(5,078)**	(2,909)
Borrowings	23	**(10,236)**	(324)
Deferred tax liabilities	26	**(2,592)**	(1,897)
		(17,906)	(5,130)
Total liabilities		**(31,268)**	(22,946)
Net assets		**36,341**	36,529
Equity			
Share capital	27	**721**	718
Share premium account		**21,539**	21,463
Translation reserve		**25**	35
Retained earnings		**14,056**	14,313
Total equity		**36,341**	36,529

The accounting policies and notes on pages 50 to 84 form part of these financial statements.

The financial statements were approved by the Board on 15 December 2015 and signed on its behalf by:

JOANNA ALLEN
Director
Company number: 06135104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 53 WEEK PERIOD ENDED 3 OCTOBER 2015

	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 28 September 2013		568	5,387	25	11,484	17,464
Dividends	13	—	—	—	(991)	(991)
Share based payments		—	—	—	109	109
Shares issued		150	16,076	—	—	16,226
Transactions with owners		150	16,076	—	(882)	15,344
Profit for the period		—	—	—	3,711	3,711
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	10	—	10
Total comprehensive income		—	—	10	3,711	3,721
Balance at 27 September 2014		718	21,463	35	14,313	36,529
Dividends	13	—	—	—	(1,209)	(1,209)
Share based payments	28	—	—	—	253	253
Shares issued	27	3	76	—	—	79
Transactions with owners		3	76	—	(956)	(877)
Profit for the period		—	—	—	699	699
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	(10)	—	(10)
Total comprehensive income		—	—	(10)	699	689
Balance at 3 October 2015		**721**	**21,539**	**25**	**14,056**	**36,341**

The accounting policies and notes on pages 50 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 53 WEEK PERIOD ENDED 3 OCTOBER 2015

	Notes	**53 weeks ended 3 October 2015 £'000**	52 weeks ended 27 September 2014 £'000
Operating activities			
Cash flows from operating activities	29	**7,925**	3,411
Finance costs paid		**(220)**	(7)
Income tax paid		**(1,770)**	(1,766)
Net cash inflow from operating activities		**5,935**	1,638
Investing activities			
Interest received		**—**	19
Proceeds from sale of fixed assets		**181**	155
Purchase of property, plant and equipment		**(6,250)**	(1,792)
Cash outflow on purchase of subsidiaries net of cash acquired		**(9,648)**	(7,630)
Cash outflow on payment of deferred consideration		**(2,000)**	(306)
Cash outflow on loans made to associate		**—**	(2,147)
Cash outflow on third party loans		**—**	(2,782)
Net cash used in investing activities		**(17,717)**	(14,483)
Financing activities			
Repayment of borrowings		**(185)**	(78)
Dividends paid		**(1,209)**	(991)
Shares issued		**79**	16,226
Borrowings		**10,000**	—
Receipt of government grants		**200**	—
Net cash from financing activities		**8,885**	15,157
Net (decrease)/increase in cash and cash equivalents		**(2,897)**	2,312
Cash and cash equivalents at beginning of period		**6,356**	4,044
Cash and cash equivalents at end of period		**3,459**	6,356

The accounting policies and notes on pages 50 to 84 form part of these financial statements.

ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the European Union and IFRIC interpretations issued by the International Accounting Standards Board and the Companies Act 2006. The Company has elected to prepare its parent Company financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"). These are presented on pages 85 to 91.

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

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ended 3 October 2015. 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 2015/2016 and beyond and that the Group has sufficient cash reserves and headroom in borrowing costs to enable the Group to meet its obligations as they fall due for a period of at least 12 months from when these financial statements have been signed.

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

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

STANDARDS AND INTERPRETATIONS NOT YET APPLIED BY THE GROUP

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

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (IASB effective date 1 July 2014)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)
- Annual Improvements to IFRSs 2010-2012 Cycle (IASB effective date generally 1 July 2014)
- Annual Improvements to IFRSs 2011-2013 Cycle (IASB effective date 1 July 2014)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2016)

Management are still assessing the impact that the implementation of IFRS 15 will have on revenue recognition, particularly with reference to construction contracts.

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

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.

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 indefinite life assets generating income, the period over which this is likely to be achieved and the potential income that can be generated. Where it is probable the future recoverable amount will be in excess of capitalised costs the assets are held within the balance sheet at cost. Where this is not the case, an impairment charge will be recorded to adjust the assets to their recoverable amount.

STAGE OF COMPLETION ON CONSTRUCTION CONTRACTS

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

DEFERRED CONSIDERATION

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

INVENTORY PROVISIONS

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

VALUATION OF INTANGIBLE ASSETS ACQUIRED THROUGH BUSINESS COMBINATIONS

As far as possible, professional advice is sought on the valuation of intangible assets. The Directors estimate the value of intangible assets with reference to any advice received, based on their experience of the value of such assets in similar businesses and under similar market conditions. The carrying value of intangible assets is disclosed in note 15 to the financial statements.

WARRANTY PROVISIONS

Under certain contractual arrangements, the Group provides a warranty in relation to some products sold, which could result in the future transfer of economic benefits from the entity. The Directors review the products for which a warranty is provided, and assess the amount of provision required to meet future potential liabilities. Warranty periods vary between products but are typically one year in duration.

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 3 October 2015 (2014: to 27 September 2014). 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

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

REVENUE

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

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 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 AND PRECISION MACHINED COMPONENTS

In applying the above policy, revenue is recognised in the Engineered Products segment when production is complete, the goods are ready to be despatched, the goods have passed any applicable factory and customer acceptance tests 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 in accordance with IAS 11 "Construction contracts" for biogas upgrader projects.

The division designs and constructs biogas upgrading units for the production of biomethane for supply to the gas grid or for use as vehicle fuel. Once a contract is sufficiently advanced and the outcome of the contract can be measured reliably, contract revenue, costs and profits are recognised over the period of the contract by reference to the stage of completion of each contract. The stage of completion of a contract is determined by internal estimates, with reference to the proportion of costs incurred. Revenue is recognised in proportion to the total revenue expected on the contract.

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

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

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

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

The Alternative Energy Division also enters into maintenance and service agreements with customers. Revenue on these agreements is recognised in accordance with IAS 18 “Revenue”. Revenue is recognised in accordance with the stage of completion of the maintenance or service agreement.

SHARE-BASED EMPLOYEE REMUNERATION

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

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

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

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

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

DIVIDENDS

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

PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at cost, net of depreciation and any provision for impairment. Property, plant and equipment is held at historical cost with the exception of assets acquired on business combinations. These are added at their fair value and depreciated accordingly. Land is not depreciated. Assets under construction are recognised when costs are incurred in the construction of an asset and are not depreciated until the asset is ready for use. Depreciation on other assets is applied on a straight-line basis so as to reduce the assets to their residual values over their estimated useful lives. The rates of depreciation used are:

Buildings	50 years
Plant and machinery	4 – 15 years

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

INTANGIBLE ASSETS

DEVELOPMENT COSTS

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

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

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

INTANGIBLE ASSETS ACQUIRED AS PART OF A BUSINESS COMBINATION

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

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

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

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

LEASED ASSETS

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

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

INVENTORIES

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

INCOME TAXES

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

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

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

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

ACCOUNTING FOR FINANCIAL ASSETS

The Group has financial assets in the following categories:

- Loans and receivables (trade and other receivables)
- Financial assets at fair value through profit or loss (derivative financial instruments)

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

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

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

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

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

ACCOUNTING FOR FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

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

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

PENSIONS

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

SEGMENT REPORTING

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

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

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

Historically, the Group has disclosed three operating segments – Cylinders, Engineered Products and Alternative Energy. Given the recent expansion of the Group, the Directors now disclose results of the Group in four operating segments. The old Engineered Products segment has been split between the new Engineered Products segment, comprising the Hydratron Group of companies, and the Precision Machined Components segment, which comprises Al-Met, Quadscot and Roota. Where appropriate, prior year comparatives have been restated to allow comparison. The acquisition of Greenlane has been added to the Alternative Energy segment.

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

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

INVESTMENTS IN ASSOCIATES

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

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

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

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

EXCEPTIONAL ITEMS

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

BORROWINGS

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

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

OPERATING PROFIT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SEGMENT ANALYSIS

The financial information by segment detailed below is frequently reviewed by the Chief Executive who has been identified as the Chief Operating Decision Maker ("CODM"). As disclosed in the Accounting Policies, the segmental analysis has changed since the prior year, with the splitting of the old Engineered Products segment into two segments, Precision Machined Components and Engineered Products. Where appropriate the comparative information is restated in the analysis below.

For the 53 week period ended 3 October 2015	Cylinders £'000	Precision Machined Components £'000	Engineered Products £'000	Alternative Energy £'000	Central costs £'000	Total £'000
Revenue						
– from external customers	14,343	18,815	8,441	13,971	—	55,570
Operating profit/(loss) before acquisition costs, amortisation on acquired businesses and exceptional charges and credits	2,111	4,512	(354)	(1,142)	(1,832)	3,295
Acquisition related exceptional items and amortisation (charges)/credits*	—	(1,425)	(135)	(720)	1,989	(291)
Other exceptional credits and (charges)	297	—	(263)	(309)	(150)	(425)
Operating profit/(loss)	2,408	3,087	(752)	(2,171)	7	2,579
Exceptional costs in relation to the option on and loan to KGTM	—	—	—	—	(1,408)	(1,408)
Share of losses of associate	(151)	—	—	—	—	(151)
Net finance (costs)/income	—	(30)	2	3	(417)	(442)
Profit/(loss) before tax	2,257	3,057	(750)	(2,168)	(1,818)	578
Segmental net assets**	7,452	23,671	4,594	11,321	(10,697)	36,341
Other segment information:						
Capital expenditure	1,254	1,058	110	123	3,757	6,302
Depreciation	318	770	104	93	85	1,370
Amortisation	—	1,425	135	720	—	2,280

There has been no significant trading between the segments in the period.

* Includes fees associated with making acquisitions.

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

1. SEGMENT ANALYSIS CONTINUED

For the 52 week period ended 27 September 2014	Cylinders £'000	Precision Machined Components (Restated) £'000	Engineered Products (Restated) £'000	Alternative Energy £'000	Central costs £'000	Total £'000
Revenue						
– from external customers	21,443	13,040	11,093	8,439	—	54,015
Operating profit/(loss) before acquisition costs, amortisation on acquired businesses and exceptional charges and credits	3,791	3,024	1,625	1,094	(1,700)	7,834
Acquisition related exceptional costs and amortisation*	—	(559)	(135)	—	(862)	(1,556)
Operating profit/(loss)	3,791	2,465	1,490	1,094	(2,562)	6,278
Exceptional costs in relation to the option on and loan to KGTM	—	—	—	—	(718)	(718)
Share of losses of associate	(183)	—	—	—	—	(183)
Net finance income/(costs)	11	(2)	—	2	(39)	(28)
Profit/(loss) before tax	3,619	2,463	1,490	1,096	(3,319)	5,349
Segmental net assets**	7,336	17,085	5,631	2,767	3,710	36,529
Other segment information:						
Capital expenditure	1,040	1,072	194	40	28	2,374
Depreciation	312	354	97	37	4	804
Amortisation	—	559	135	70	—	764

* Includes fees associated with making acquisitions.

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

1. SEGMENT ANALYSIS CONTINUED

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

Revenue	**2015 £'000**	2014 £'000
United Kingdom	**29,250**	25,730
Europe	**8,929**	7,658
Rest of the World	**17,391**	20,627
	55,570	54,015

The Group's largest customer contributed 12% to the Group's revenue (2014: 23%) which is reported within the Precision Machined Components and Engineered Products segments. No other customer contributed more than 10% in the period to 3 October 2015 (2014: nil).

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

Revenue	**2015 £'000**	2014 £'000
Oil and gas	**32,576**	39,607
Defence	**7,471**	3,478
Industrial gases	**1,502**	2,309
Alternative energy	**14,021**	8,621
	55,570	54,015

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

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

	2015			2014		
	United Kingdom £'000	**Rest of the World £'000**	**Total £'000**	United Kingdom £'000	Rest of the World £'000	Total £'000
Non-current assets	**42,954**	**135**	**43,089**	23,645	51	23,696
Additions to property, plant and equipment	**6,191**	**111**	**6,302**	2,369	5	2,374

2. FINANCE INCOME

	2015 £'000	2014 £'000
Interest receivable on bank deposits	**6**	19
Discounting adjustment on loans and receivables (note 20)	**9**	11
Interest receivable on assets under finance leases	**—**	2
	15	32

3. FINANCE COSTS

	2015 £'000	2014 £'000
Interest payable on bank loans and overdrafts	**195**	—
Interest payable on finance leases	**31**	7
Discounting adjustment on trade and other payables	**231**	53
	457	60

4. PROFIT BEFORE TAXATION

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

	2015 £'000	2014 £'000
Depreciation of property, plant and equipment – owned assets	**1,271**	783
Depreciation of property, plant and equipment – assets under finance lease and hire purchase agreements	**99**	21
Profit on disposal of fixed assets	**(10)**	(7)
Amortisation of intangible assets – licence and distribution agreement	**—**	70
Amortisation of intangible assets acquired on business combinations	**2,280**	694
Amortisation of grants receivable	**(104)**	(107)
Staff costs (see note 9)	**16,366**	9,670
Cost of inventories recognised as an expense	**27,615**	28,581
Operating lease rentals:		
– Land and buildings	**638**	644
– Machinery and equipment	**94**	67
Foreign currency gain	**(215)**	(26)
Share based payments	**253**	109

5. ACQUISITION RELATED EXCEPTIONAL ITEMS AND AMORTISATION

	2015 £'000	2014 £'000
Amortisation of intangible assets arising on a business combination	**(2,280)**	(694)
Acquisition costs	**(177)**	(862)
Deferred consideration write back	**1,749**	—
Foreign currency gain on revaluation of deferred consideration liability	**417**	—
	(291)	(1,556)

The deferred consideration write back relates to the deferred consideration arising from the acquisition of Quadscot. The payment of this consideration is contingent on the future results of the acquired entities. The Directors have reviewed forecasts in relation to Quadscot and consider that it is unlikely that the consideration will be paid, and as such it has been released. Given the magnitude of the release and the fact that it is non-trading, the Directors consider it appropriate to disclose this as an exceptional item.

The revaluation of deferred consideration liability relates to the exchange differences calculated on the deferred consideration arising from the acquisition of The Greenlane Group, which is denominated in NZ Dollars. Given the large balance and therefore the effect on the results of the Group, the Directors consider it appropriate to disclose this foreign exchange movement as an exceptional item.

6. OTHER EXCEPTIONAL (CHARGES)/CREDITS

	2015 £'000	2014 £'000
Reorganisation and redundancy	**(747)**	—
Release of IFRS rent provision	**322**	—
	(425)	—

The release of the IFRS rent provision relates to a provision made in relation to IAS 17 with regards to the lease held by Chesterfield Special Cylinders at the Meadowhall site. Following the purchase of the site by the Group in January 2015, this provision is no longer required and is consequently released. Given its non-operating nature it is disclosed as an exceptional item.

The reorganisation costs relate to costs of restructuring across the Group. They are recognised in accordance with IAS 19.

7. EXCEPTIONAL COSTS IN RELATION TO THE OPTION ON AND LOAN TO KGTM

	2015 £'000	2014 £'000
Exceptional provisions in relation to the option on and loans to KGTM	**1,408**	718

The exceptional costs in relation to the options on and loans to KGTM relate to provisions made by the Board against the balance of the loans receivable from KGTM, an associated company. Due to the uncertainty of repayment, the entire balance of the loan outstanding has been provided for in the current period. In the prior period, the costs related to a provision of £330,000 against the recoverability of the loan balances and a charge of £388,000 in relation to the writing down to nil of an option held to purchase a further 40% of Kelley GTM.

8. AUDITOR'S REMUNERATION

	2015 £'000	2014 £'000
Fees payable to the Company's Auditor for the audit of the Company and consolidated financial statements	**27**	27
Fees payable to the Company's Auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**104**	51
Fees payable to the Group's Auditor for non-audit services:		
– Tax services	**26**	17
– Other services	**12**	11

9. EMPLOYEE COSTS

Particulars of employees, including Executive Directors:

	2015 £'000	2014 £'000
Wages and salaries	**14,176**	8,520
Social security costs	**1,378**	819
Pension costs	**463**	222
Share based payments	**253**	109
	16,270	9,670

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

	2015 No.	2014 No.
Production	**249**	185
Selling and distribution	**39**	24
Administration	**95**	36
	383	245

10. DIRECTORS' EMOLUMENTS

Particulars of Directors' emoluments are as follows:

	2015 £'000	2014 £'000
Emoluments – short term employee benefits	**460**	619
Pension costs – post employment benefits	**34**	32
Employers' national insurance	**51**	70
Share based payments	**4**	37
	549	758

Please see the Report of the Remuneration Committee on pages 38 to 40 for full details of Directors' emoluments which have been audited.

Included in the aggregate emoluments for the period ended 3 October 2015 are payments of £48,000 (2014: £63,000) made by the Company to third parties. The highest paid Director received total emoluments of £238,000 including pension contributions of £20,000 (2014: total emoluments of £275,000 including pension contributions of £18,000).

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

11. TAXATION

	2015 £'000	2014 £'000
Current tax		
Current tax expense	**269**	1,737
Over provision in respect of prior years	**(79)**	(34)
	190	1,703
Deferred tax		
Origination and reversal of temporary differences	**(307)**	(65)
Over provision in respect of prior years	**(4)**	—
	(311)	(65)
Total taxation (credit)/charge	**(121)**	1,638

Corporation tax is calculated at 20.5% (2014: 22%) of the estimated assessable profit for the period. Deferred tax is calculated at 20% (2014: 20%).

On 23 October 2015 the legislation that reduced the UK corporation tax rate to 18% was substantively enacted. As such, in future years, deferred tax will be calculated at 18%. If this has been substantively enacted before the balance sheet date, the Group's overall tax credit would have been £361,000, with a net deferred tax liability of £2,082,000.

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

	2015 £'000	2014 £'000
Profit before taxation	**578**	5,349
Theoretical tax at UK corporation tax rate 20.5% (2014: 22%)	**118**	1,177
Effect of (credits)/charges:		
– non-deductible expenses and other timing differences	**(46)**	301
– disallowable acquisition costs	**(243)**	190
– Research and development allowance	**(23)**	—
– adjustments in respect of prior years	**(83)**	(34)
– effect of unrealised overseas	**154**	(12)
– change in taxation rates	**2**	16
Total taxation (credit)/charge	**(121)**	1,638

12. EARNINGS PER ORDINARY SHARE

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

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

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

	2015 £'000	2014 £'000
Profit after tax	**699**	3,711

	No.	No.
Weighted average number of shares – basic	**14,378,392**	13,025,349
Dilutive effect of share options	**144,690**	263,283
Weighted average number of shares – diluted	**14,523,082**	13,288,632

Basic earnings per share	**4.9p**	28.5p
Diluted earnings per share	**4.8p**	27.9p

The Group adjusted earnings per share is calculated as follows:		
Profit after tax	**699**	3,711
Acquisition related exceptional items and amortisation	**291**	1,556
Other exceptional charges and credits	**425**	—
Exceptional costs in relation to the option on and loan to KGTM	**1,408**	718
Theoretical tax effect of above adjustments	**(739)**	(138)
Adjusted earnings	**2,084**	5,847
Adjusted earnings per share	**14.5p**	44.9p

13. DIVIDENDS

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

	Rate	Date	Shares in issue	**2015 £'000**	2014 £'000
Final 2012/13	5.2p	7 March 2014	11,362,249	**—**	591
Interim 2013/14	2.8p	8 August 2014	14,268,733	**—**	400
Final 2013/14	5.6p	17 March 2015	14,377,130	**805**	—
Interim 2014/15	2.8p	7 August 2015	14,414,930	**404**	—
				1,209	991

At 3 October 2015, the 2014/15 final dividend had not been approved by Shareholders and consequently this has not been included as a liability. The proposed dividend of 5.6p per share will, if approved at the AGM, be paid on 18 March 2016 at a total cost of £807,236.

14. GOODWILL

	Total £'000
Cost and gross carrying amount	
At 28 September 2013	**1,964**
Acquired through business combinations	**5,117**
At 27 September 2014	**7,081**
Acquired through business combinations (note 30)	**7,939**
At 3 October 2015	**15,020**

	Date of acquisition	Original cost £'000
Precision Machined Components		
Al-Met Limited	February 2010	272
Roota Engineering Limited	March 2014	5,117
The Quadscot Group	October 2014	3,079
Engineered Products		
The Hydratron Group	October 2010	1,692
Alternative Energy		
The Greenlane Group	October 2014	4,860
		15,020

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. The Group has Goodwill in relation to 5 acquisitions: Al-Met Limited, The Hydratron Group, Roota Engineering Limited, The Quadscot Group and The Greenlane 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 11.6% which equates to the Group's weighted average cost of capital. The same discount rate is used for all CGUs due to the businesses having common sources of finance and operating in very similar markets. The discount rate used has increased from the prior year due to changes in the Group structure and sources of finance.

The forecast for year one is the forecast approved by management and used within the Group, and is based on a bottom up assessment of costs and uses the known and estimated pipeline. The forecast used for year two assumes some revenue growth, with forecasts for years three to four assuming no further growth. A perpetuity is used as a terminal value 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. At 3 October 2015, no reasonable expected change in the key assumptions would give rise to an impairment charge for any CGU and the assumptions accordingly are not sensitive.

15. INTANGIBLE ASSETS

	Licence and distribution agreement £'000	Development expenditure £'000	Customer order book £'000	Technology £'000	Non contractual customer relationships £'000	Total £'000
Cost						
At 28 September 2013	1,200	234	197	—	937	2,568
Acquired through business combination	—	—	—	—	6,503	6,503
Disposed of in the period	—	(234)	(197)	—	—	(431)
At 27 September 2014	1,200	—	—	—	7,440	8,640
Acquired through business combination	—	—	—	5,316	4,262	9,578
Disposed of in the period	(1,200)	—	—	—	—	(1,200)
At 3 October 2015	**—**	**—**	**—**	**5,316**	**11,702**	**17,018**
Amortisation						
At 28 September 2013	323	234	197	—	593	1,347
Charge for the period	70	—	—	—	694	764
Disposed of in the period	—	(234)	(197)	—	—	(431)
At 27 September 2014	393	—	—	—	1,287	1,680
Charge for the period	—	—	—	720	1,560	2,280
Disposed of in the period	(393)	—	—	—	—	(393)
At 3 October 2015	**—**	**—**	**—**	**720**	**2,847**	**3,567**
Net book value						
At 3 October 2015	**—**	**—**	**—**	**4,596**	**8,855**	**13,451**
At 27 September 2014	807	—	—	—	6,153	6,960
Remaining useful economic life at 3 October 2015	—	—	—	7 years	6 years	

16. PROPERTY, PLANT AND EQUIPMENT

	Assets under construction £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 28 September 2013	—	—	8,157	8,157
Additions	—	—	1,145	2,374
Acquired through business combinations	1,229	800	815	1,615
Disposals	—	—	(444)	(444)
Net exchange differences	—	—	(2)	(2)
At 27 September 2014	1,229	800	9,671	11,700
Additions	608	3,434	2,260	6,302
Acquired through business combinations	—	660	1,121	1,781
Disposals	—	—	(511)	(511)
Net exchange differences	—	—	4	4
At 3 October 2015	**1,837**	**4,894**	**12,545**	**19,276**
Depreciation				
At 28 September 2013	—	—	3,390	3,390
Charge for the period	—	9	795	804
Disposed of in the period	—	—	(296)	(296)
At 27 September 2014	—	9	3,889	3,898
Charge for the period	—	57	1,313	1,370
Disposed of in the period	—	—	(340)	(340)
At 3 October 2015	**—**	**66**	**4,862**	**4,928**
Net book value				
At 3 October 2015	**1,837**	**4,828**	**7,683**	**14,348**
At 27 September 2014	1,229	791	5,782	7,802

Included within the net book value of £14,348,000 is £900,000 (2014: £607,000) 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 £99,000 (2014: £21,000).

17. SUBSIDIARIES

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the Parent Company's separate financial statements as listed on page 88.

18. INVESTMENTS IN ASSOCIATES

	£'000
At 28 September 2013	—
Investments made in the year	306
Share of profits/(losses)	(183)
At 27 September 2014	123
Investments made in the year	—
Share of profits/(losses)	(123)
As at 3 October 2015	**—**

Note that the share of losses of associates as set out in the Consolidated Statement of Comprehensive Income were set first against the investment and then against the value of other receivables from KGTM, as shown below. The remaining value of these receivables has been provided against as set out in note 7.

	2015 £'000	2014 £'000
Amount of losses set against investment	**123**	183
Amount of losses set against other receivables from KGTM	**28**	—
	151	183

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities, are as follows:

	Country of incorporation	**Assets £'000**	**Liabilities £'000**	**Revenues £'000**	**Loss £'000**	**Interest held %**
At 27 September 2014						
Kelley GTM, LLC.	USA	612	(4,424)	1,374	(183)	40
At 3 October 2015						
Kelley GTM, LLC.	USA	578	(5,273)	793	(741)	40

KGTM has a year-end date of 31 December. The period for which the results of KGTM have been included in the Group's financial statements is from 28 September 2014 to 3 October 2015.

The total losses recognised against the investment and other receivables from KGTM for the period were £151,000 (2014: £183,000) leaving unrecognised losses of £590,000 (2014: £nil).

19. INVENTORIES

	2015 £'000	2014 £'000
Raw materials and consumables	**3,825**	4,081
Work in progress	**3,292**	4,738
Finished goods	**297**	—
	7,414	8,819

Included in the total net value above are gross inventories of £1,414,000 (2014: £624,000) over which provisions have been made of £832,000 (2014: £623,000).

20. TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Current		
Trade receivables	**11,015**	13,924
Amounts due from customers for construction contract work	**756**	383
Other receivables	**545**	5,012
Prepayments and accrued income	**1,223**	1,242
	13,539	20,561

	2015 £'000	2014 £'000
Non-current		
Loans to associated companies	**—**	1,436
Accrued income	**—**	139
	—	1,575

Included in non-current assets in the prior period were debts not due for settlement for a number of years. These assets are no longer disclosed as non-current as they near maturity. The release during the year was £9,000 (2014: £11,000).

The average credit period taken on the sale of goods and services was 79 days (2014: 63 days) in respect of the Group. Two debtors individually accounted for over 10% of trade receivables and both individually represented 10% of the total balance. In 2014, three debtors accounted for over 10% of trade receivables and represented 14%, 13% and 11% of the total balance.

Ageing of past due but not impaired receivables:

	2015 £'000	2014 £'000
Days past due:		
0 – 30 days	**1,221**	2,330
31 – 60 days	**539**	855
61 – 90 days	**129**	257
91 – 120 days	**77**	86
121+ days	**885**	47
Total	**2,851**	3,575

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 £'000	2014 £'000
Derivatives carried at fair value not recognised for hedge accounting		
– Forward foreign currency contracts	**26**	43
Asset	**26**	43

22. TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Amounts due within 12 months		
Trade payables	**3,447**	4,930
Progress billings on construction contracts in excess of work completed	**2,131**	2,331
Other tax and social security	**903**	1,096
Accruals, deferred income and other payables	**4,044**	6,111
Deferred consideration	**2,500**	1,985
Total due within 12 months	**13,025**	16,453
Amounts due after 12 months		
Deferred consideration	**3,531**	2,432
Other payables	**—**	313
Accruals, deferred income and other payables	**1,547**	164
Total due after 12 months	**5,078**	2,909

In the prior period, other payables due after 12 months related to rental lease incentives, the benefits of which were spread over the life of the lease. Following the purchase of the Meadowhall site in the current period, this was no longer required and has been released to the consolidated statement of comprehensive income as an exceptional credit, see note 6.

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

23. BORROWINGS

	2015 £'000	2014 £'000
Non-current		
Bank borrowings	**10,000**	—
Finance liabilities	**236**	324
	10,236	324
Current		
Finance liabilities	**337**	180
	337	180
Total borrowings	**10,573**	504

Bank borrowings mature in 2018 and bear average coupons of 2% above LIBOR annually.

Total borrowings include secured liabilities of £10 million. Bank borrowings are secured on the property, plant and equipment of the Group (note 16). Obligations under finance leases are secured on the plant & machinery assets to which they relate.

23. BORROWINGS CONTINUED

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

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

	2015 £'000	2014 £'000
Due within one year		
Finance liabilities	**337**	180
Due within two to five years		
Bank borrowings	**10,000**	—
Finance liabilities	**236**	324

The Group has the following undrawn borrowing facilities:

	2015 £'000	2014 £'000
Expiring beyond one year	**5,000**	—

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

24. CONSTRUCTION CONTRACTS

Construction contracts are accounted for in accordance with IAS 11, "Construction Contracts" and IAS 18, "Revenue and construction contracts". The position on individual contracts is held as "Amounts due from customers for contract work" within trade and other receivables or as "Progress billings on construction contracts in excess of work completed" within trade and other payables as applicable.

	2015 £'000	2014 £'000
Costs incurred and profit recognised to date	**14,488**	8,348
Less: Progress billings	**(15,863)**	(10,296)
Net balance sheet position for ongoing contracts	**(1,375)**	(1,948)

25. 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 23, 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.

	2015 £'000	2014 £'000
Debt	**(10,573)**	(504)
Cash and cash equivalents	**3,459**	6,356
Net (debt)/cash	**(7,114)**	5,852
Equity	**36,341**	36,529

Debt is defined as long and short-term borrowings, as detailed in note 23. Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

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

25. FINANCIAL INSTRUMENTS CONTINUED
CAPITAL RISK MANAGEMENT CONTINUED

The Group held the following categories of financial instruments:

	2015 £'000	2014 £'000
Financial assets		
Loans and receivables:		
– Trade receivables	**11,015**	13,924
– Other receivables	**545**	5,012
– Other receivables – greater than one year	**—**	1,436
– Cash and cash equivalents	**3,459**	6,356
Fair value through the profit and loss (FVTPL):		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**26**	43
	15,045	26,771

	2015 £'000	2014 £'000
Financial liabilities		
Financial liabilities – held at amortised cost		
– Trade payables	**3,447**	4,930
– Accruals	**2,042**	3,328
– Deferred consideration payable	**6,031**	4,416
– Borrowings	**10,573**	504
	22,093	13,178

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

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

MARKET RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, particularly in US Dollars, CA Dollars, NZ Dollars and Euros, and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk.

25. FINANCIAL INSTRUMENTS CONTINUED
FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED
FOREIGN CURRENCY RISK MANAGEMENT

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

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

	Financial assets 2015 £'000	Financial assets 2014 £'000	**Financial liabilities 2015 £'000**	Financial liabilities 2014 £'000
Euro	**1,777**	2,859	**1,834**	320
Norwegian Krone	**4**	5	**—**	—
US Dollar	**3,056**	458	**2,286**	210
CA Dollar	**179**	—	**243**	—
NZ Dollar	**92**	—	**3,576**	—
	5,108	3,322	**7,939**	530

FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

	Euro currency impact 2015 £'000	Euro currency impact 2014 £'000	**Norwegian Krone currency impact 2015 £'000**	Norwegian Krone currency impact 2014 £'000	**US Dollar currency impact 2015 £'000**	US Dollar currency impact 2014 £'000
Profit or loss	**5**	231	**—**	—	**70**	23

	NZ Dollar currency impact 2015 £'000	NZ Dollar currency impact 2014 £'000	**CA Dollar currency impact 2015 £'000**	CA Dollar currency impact 2014 £'000
Profit or loss	**317**	—	**6**	—

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.

The Group has deferred consideration balances denominated in NZ dollars. Given the magnitude of the balances, retranslation gains and losses in respect of the deferred consideration are disclosed as an exceptional item. If the deferred consideration is excluded, a 10% movement on the NZ dollars exchange rate gives rise to a theoretical charge or credit of £4,000.

25. 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 Group holds level 2 financial instruments as detailed below. No transfers in either direction have been made between the levels of fair value hierarchy.

FORWARD FOREIGN EXCHANGE CONTRACTS – LEVEL 2

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

At 3 October 2015, the Group had contracts outstanding to sell €1.000 million for £0.714 million and to sell US$0.400 million for £0.273 million. (2014: sell €2.850 million for £2.287 million, sell US$0.700 million for £0.421 million).

The fair value of forward foreign exchange contracts at 3 October 2015 gave rise to a loss of £17,000 (2014: loss of £28,000).

OPTION TO ACQUIRE 40% OF KGTM – LEVEL 3

An option to acquire a further 40% of KGTM, an associated company, held in the prior period has now expired, with no accounting entry. This option was valued at a maximum of £388,000 at outset and had been fully provided against in the prior period.

INTEREST RATE RISK MANAGEMENT

If interest rates had been 0.5% higher/lower and all other variables were held constant, the impact on the results in the consolidated statement of comprehensive income and equity would be an decrease/increase of £22,000 (2014: £35,000).

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 20% (2014: 27%) 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.

25. FINANCIAL INSTRUMENTS CONTINUED

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.

At 3 October 2015, the Group's liabilities have contractual maturities summarised below:

2015	**Current within 6 months £'000**	**Current 6 to12 months £'000**	**Non-current 1 to 5 years £'000**	**Total net payable £'000**
Trade and other payables	**7,756**	**2,235**	**5,078**	**15,069**
Amounts due under hire purchase agreements	**168**	**169**	**236**	**573**
	7,924	**2,404**	**5,314**	**15,642**

2014	Current within 6 months £'000	Current 6 to12 months £'000	Non-current 1 to 5 years £'000	Total net payable £'000
Trade and other payables	10,247	1,984	3,228	15,459
Amounts due under hire purchase agreements	90	90	324	504
	10,337	2,074	3,552	15,963

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

	2015 £'000	2014 £'000
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**17**	28
– Option held to acquire a further 40% of the issued share capital of KGTM	**—**	388
Amounts charged to cost of sales within the consolidated statement of comprehensive income	**17**	416

FAIR VALUES

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

- Outstanding foreign currency exchange contracts are measured using quoted forward exchange rates at the reporting date

The Group does not hedge account.

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

26. DEFERRED TAX

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

	Accelerated tax depreciation £'000	Intangible assets £'000	Short term temporary differences £'000	Share option costs £'000	Operating lease incentives £'000	Total £'000
At 28 September 2013	(470)	(68)	51	19	68	(400)
(Charge)/credit to income	(81)	138	(19)	30	(3)	65
Acquired through business combinations	(106)	(1,301)	—	—	—	(1,407)
At 27 September 2014	(657)	(1,231)	32	49	65	(1,742)
(Charge)/credit to income	(62)	313	79	46	(65)	311
Acquired through business combinations	(39)	(852)	—	—	—	(891)
At 3 October 2015	**(758)**	**(1,770)**	**111**	**95**	**—**	**(2,322)**

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

	2015 £'000	2014 £'000
Non-current asset		
Deferred tax asset	**270**	155
Non-current liabilities		
Deferred tax liabilities	**(2,592)**	(1,897)
	(2,322)	(1,742)

27. CALLED UP SHARE CAPITAL

	2015 No.	2014 No.	**2015 £'000**	2014 £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	**14,414,930**	14,362,813	**721**	718

The Company issued 52,117 ordinary shares at a price of 150p to employees exercising their rights to acquire shares under the Company's SAYE scheme throughout the year. The effect of these issues has been to increase share capital by £3,000 and share premium by £76,000.

28. SHARE BASED PAYMENTS

SAVE-AS-YOU-EARN SCHEME

Pressure Technologies plc introduced a share option scheme for all employees of the Group in November 2007. A seventh grant of options was made in July 2015. 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:

	2015 No.	**Weighted average exercise price**	2014 No.	Weighted average exercise price
Outstanding at the beginning of the period	**202,463**	**361p**	166,071	152p
Granted during the period	**282,681**	**161.2p**	98,143	593p
Lapsed during the period	**—**	**—**	(17,147)	215p
Forfeited during the period	**(16,295)**	**520.1p**	—	—
Cancelled during the period	**(61,439)**	**584.8p**	—	—
Exercised during the period	**(52,117)**	**150p**	(44,604)	150p
Expired during the period	**—**	**—**	—	—
Outstanding at the end of the period	**355,293**	**186.9p**	202,463	361p

28. SHARE BASED PAYMENTS CONTINUED
SAVE-AS-YOU-EARN SCHEME CONTINUED

4,800 of the outstanding options were exercisable at the end of the period. The options outstanding at 3 October 2015 had a weighted average remaining contractual life of 2.5 years (2014: 2.0 years). The terms of these options are as follows:

Date of grant	Options outstanding at 3 October 2015	Vesting period	Market value at date of grant	Exercise price	Exercise period
6 August 2012	4,800	3 years	175p	150p	6 months
29 July 2013	47,063	3 years	247.5p	156p	6 months
31 July 2014	21,865	3 years	719p	593p	6 months
30 July 2015	281,565	3 years	238p	161.2p	6 months
Total options outstanding at 3 October 2015	**355,293**				

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

PRESSURE TECHNOLOGIES PLC PERFORMANCE SHARE PLAN – ENTERPRISE MANAGEMENT PLAN

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

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

	2015 No.	**Weighted average exercise price**	2014 No.	Weighted average exercise price
Outstanding at the beginning of the period	**206,156**	**219p**	257,768	222p
Granted during the period	**—**	**—**	—	—
Lapsed during the period	**(53,000)**	**242.5p**	—	—
Exercised during the period	**—**	**—**	(51,612)	233p
Outstanding at the end of the period	**153,156**	**210.6p**	206,156	219p

53,156 of the outstanding options were exercisable at the end of the period. The options outstanding at 3 October 2015 had a weighted average remaining contractual life of 2.3 years (2014: 4.2 years). The terms of these options are as follows:

Date of grant	Options outstanding at 3 October 2015	Vesting period	Market value at date of grant	Exercise price
23 February 2012	53,156	3 years	150.5p	150.5p
9 August 2013	100,000	3 years	242.5p	242.5p
Total options outstanding at 3 October 2015	**153,156**			

There are no performance conditions that apply to these options other than continued employment. The options will lapse if not exercised by 5 years from the date of grant. No options were exercisable under this scheme as at the period end.

28. SHARE BASED PAYMENTS CONTINUED

PRESSURE TECHNOLOGIES PLC PERFORMANCE SHARE PLAN – SHARE OPTIONS PLAN

Pressure Technologies plc introduced this share option scheme in February 2012. 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:

	2015 No.	**Weighted average exercise price**	2014 No.	Weighted average exercise price
Outstanding at the beginning of the period	**73,089**	**150.5p**	73,089	150.5p
Lapsed during the period	**(73,089)**	**150.5p**	—	—
Outstanding at the end of the period	**—**	**—**	73,089	150.5p

No options were exercisable under this scheme as at the period end.

PRESSURE TECHNOLOGIES PLC – LONG TERM INCENTIVE PLAN

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

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

	2015 No.	**Weighted average exercise price**	2014 No.	Weighted average exercise price
Outstanding at the beginning of the period	**77,493**	**720.8p**	—	—
Granted during the period	**232,846**	**354.2p**	77,493	720.8p
Lapsed during the period	**(50,750)**	**571.4p**	—	—
Outstanding at the end of the period	**259,589**	**421.2p**	77,493	720.8p

None of the outstanding options were exercisable at the end of the period. The outstanding options outstanding at 3 October 2015 had a weighted average remaining contractual life of 5.3 years (2014: 5.5 years). The terms of these options are as follows:

Date of grant	Options outstanding at 3 October 2015	Vesting period	Market value at date of grant	Exercise price
3 April 2014	57,377	3 years	720.8p	720.8p
12 December 2014	90,547	3 years	473.3p	473.3p
25 June 2015	111,665	3 years	212p	225p
Total options outstanding at 3 October 2015	**259,589**			

There are performance related conditions that apply to these options. The figures disclosed above show the options exercisable if all performance conditions are met. Full details of the performance conditions can be found in the report to the remuneration committee. The options lapse if not exercised 6 years after the grant date. No options were exercisable as at the reporting date.

28. SHARE BASED PAYMENTS CONTINUED

PRESSURE TECHNOLOGIES PLC – LONG TERM INCENTIVE PLAN CONTINUED

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:	Long Term Incentive Plan	Long Term Incentive Plan	Save-As-You-Earn
Date granted:	12/12/2014	25/06/2015	30/07/2015
Share price at date of offer	473p	212p	238p
Exercise price	473p	225p	161p
Expected volatility	44%	49%	53%
Expected life	5 years	5 years	3 years
Risk free rate	1.2%	1.6%	1.0%
Expected dividend yield	1.3%	1.3%	1.3%

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.

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

The total charge to the consolidated statement of comprehensive income in the period in respect of share-based payments was £253,000 (2014: £109,000). The charge is calculated in accordance with IFRS 2, "Share Based Payments". There were a large number of cancellations of share options in the year, at the request of employees who remained in the employment of the Group. As required by IFRS, the charge associated with these options has been accelerated and recognised in the current period, giving a share option cost larger than in previous years.

A deferred tax credit of £46,000 (2014: £30,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

29. CONSOLIDATED CASH FLOW STATEMENT

	2015 £'000	2014 £'000
Profit after tax	**699**	3,711
Adjustments for:		
Finance costs/(income) – net	**442**	28
Depreciation of property, plant and equipment	**1,370**	804
Amortisation of intangible assets	**2,280**	764
Share option costs	**253**	109
Income tax expense	**(121)**	1,638
Loss/(profit) on derivative financial instruments	**17**	28
(Profit)/loss on disposal of property, plant and equipment	**(10)**	(7)
Exceptional charges associated with Kelley GTM	**1,408**	718
Exceptional IFRS rent adjustment release	**(322)**	—
Exceptional deferred consideration released and revaluation	**(2,166)**	—
Loss on investment in associate	**151**	183
Changes in working capital:		
(Increase) in inventories	**1,693**	(440)
(Increase) in trade and other receivables	**5,964**	(7,449)
Increase in trade and other payables	**(3,733)**	3,324
Cash flows from operating activities	**7,925**	3,411

30. BUSINESS COMBINATIONS

THE QUADSCOT GROUP OF COMPANIES

On 1 October 2014, Pressure Technologies plc acquired 100% of the issued share capital of the Quadscot Group of companies ("Quadscot") for an initial consideration of £7,884,000, plus maximum deferred consideration of £3,000,000.

In calculating goodwill below, the contingent consideration is held at fair value at time of acquisition of £1,697,000. This has been estimated based on future earnings. The fair value estimate is based on a discount rate of 3% and assumes that £1,800,000 of deferred consideration is payable. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate. At the balance sheet date the £1.8 million previously provided has been released as, despite the profitability of the business, the minimum target EBITDA in 2016 is no longer expected to be achieved.

Quadscot specialises in a wide range of components for oil and gas pressure systems and downhole tools and is based in Blantyre, Scotland. The transaction has been accounted for by the acquisition method of accounting.

The directors believe that Quadscot is complementary to the Group's other subsidiary businesses and provides cross selling opportunities between the respective customer bases.

30. BUSINESS COMBINATIONS CONTINUED
THE QUADSCOT GROUP OF COMPANIES CONTINUED

The table below summarises the consideration paid for Quadscot and the fair value of the assets and liabilities acquired:

	Book value £'000	Fair value adjustment on acquisition £'000	Intangible assets recognised on acquisition £'000	Fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed:				
Property plant and equipment	1,988	(275)	—	1,713
Intangible assets	—	—	4,262	4,262
Inventories	242	—	—	242
Trade and other receivables	1,460	—	—	1,460
Cash and cash equivalents	1,149	—	—	1,149
Trade and other payables	(917)	—	—	(917)
Borrowings	(202)	—	—	(202)
Current tax liabilities	(314)	—	—	(314)
Deferred tax (liabilities)/assets	(94)	55	(852)	(891)
	3,312	(220)	3,410	6,502
Goodwill				3,079
Total consideration				9,581
Satisfied by:				
Cash				7,884
Deferred cash consideration				1,697
				9,581
Net cash outflow arising on acquisition				
Initial cash consideration				7,884
Cash and cash equivalents acquired				(1,149)
				6,735
Borrowings acquired				202
Net cash acquired				**6,937**

The intangible assets acquired with the business comprise £4,262,000 in relation to non-contractual customer relationships.

The goodwill arising on the acquisition of Quadscot is mainly attributable to the skills and talent of the workforce and the anticipated value of synergies that Quadscot can bring to the wider Pressure Technologies Group.

The revenue included in the consolidated statement of comprehensive income since acquisition contributed by Quadscot was £4.2 million. Quadscot also contributed a profit of £1.0 million over the same period. The effect of the inclusion of the acquisition had it been completed on the first day of the financial year is considered to be immaterial upon the Group's revenue and profit before tax.

30. BUSINESS COMBINATIONS CONTINUED
THE GREENLANE GROUP OF COMPANIES

On 1 October 2014, Pressure Technologies plc acquired the trade and certain assets of the Greenlane Group of companies, for an initial £5,971,000 (NZ$12,000,000 translated at £1 : NZ$2.085) plus a maximum deferred consideration of £6,235,000 (NZ$13,000,000 translated at £1 : NZ$2.085).

In calculating goodwill below, the contingent consideration is held at fair value at time of acquisition of £3,533,000. This has been estimated using the income approach. The fair value estimate is based on a discount rate of 3% and reflects the profits the directors consider are likely to arise.

Greenlane is a leading global provider of Biogas upgraders using waterwash technology. Greenlane have designed and built over 80 biogas plants around the world. The business has operations in Vancouver, Auckland and Sheffield.

The Directors consider that a worldwide presence in the Alternative Energy segment provides opportunities to grow the Group and diversify the markets in which the Group operates.

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

	Book value £'000	Intangible assets recognised on acquisition £'000	Fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Property, plant and equipment	68	—	68
Intangible assets	—	5,316	5,316
Inventories	46	—	46
Trade and other receivables	153	—	153
Trade and other payables	(132)	—	(132)
	135	5,316	5,451
Goodwill			4,860
Total consideration			10,311
Satisfied by:			
Cash advanced in previous period			2,782
Cash paid in current period			2,913
Remaining initial consideration			276
Existing licence held with Greenlane			807
Deferred cash consideration			3,533
			10,311

The intangible assets acquired with the business comprise £5,316,000 in relation to the technology acquired.

The goodwill arising on the acquisition of Greenlane is mainly attributable to the skills and talent of the workforce and the anticipated value of synergies that Greenlane can bring to the wider Pressure Technologies Group.

The revenue included in the consolidated statement of comprehensive income since acquisition contributed by Greenlane was £7,243,000. Greenlane also contributed a loss of £2,519,000 over the same period. The effect of the inclusion of the acquisition had it been completed on the first day of the financial year is considered to be immaterial upon the Group's revenue and profit before tax.

Details of acquisition costs paid in the year are given in note 5 to the financial statements.

31. FINANCIAL COMMITMENTS

(A) CAPITAL COMMITMENTS

Commitments for capital expenditure entered into were as follows:

	2015 £'000	2014 £'000
Contracted for, but not provided in the accounts	**—**	—

(B) OPERATING LEASE COMMITMENTS

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

	2015 £'000	2014 £'000
Land and buildings:		
Within one year	**302**	673
In the second to fifth years inclusive	**1,009**	2,831
After more than five years	**928**	830
	2,239	4,334
Other assets:		
Within one year	**69**	57
In the second to fifth years inclusive	**55**	59
	124	116

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

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

32. CONTINGENT LIABILITIES

Following the fatal accident at Chesterfield Special Cylinders Ltd in June, whilst the Police have confirmed that no charges for manslaughter will be brought, the HSE investigation remains ongoing and is expected to continue at least through 2016. At this time it is not possible to determine with any degree of certainty what, if any, financial penalties may be levied on Chesterfield Special Cylinders Ltd or any other group company as a result of this investigation. We continue to cooperate fully with the HSE and at such time as the quantum and likelihood of any penalty is able to be reliably determined further disclosure or provision will be made in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

33. RELATED PARTY TRANSACTIONS

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

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

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

COMPANY BALANCE SHEET
AS AT 3 OCTOBER 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Goodwill	5	**4,212**	—
Investments	4	**29,604**	21,447
Tangible fixed assets	6	**3,700**	28
Investment in associate	7	**—**	221
Debtors	8	**11,307**	7,151
		48,823	28,847
Current assets			
Debtors	8	**1,346**	3,483
Cash at bank and in hand		**359**	3,476
		1,705	6,959
Creditors: amounts falling due within one year	9	**(3,075)**	(2,639)
Net current (liabilities)/assets		**(1,370)**	4,320
Creditors: amounts falling due after more than one year	9	**(14,596)**	(2,432)
Net assets		**32,857**	30,735
Capital and reserves			
Called up share capital	11	**721**	718
Share premium account	13	**21,539**	21,463
Equity – non distributable	13	**412**	182
Profit and loss account	13	**10,185**	8,372
Equity shareholders' funds	1	**32,857**	30,735

The accounting policies and notes on pages 86 to 91 form part of these financial statements.

Approved by the Board on 15 December 2015 and signed on its behalf by:

JOANNA ALLEN
Director

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 £2,999,000 (2014: £2,827,000) after applying a tax charge (note 10) of £97,000 (2014: credit £13,000) to the profit before tax of £3,096,000 (2014: £2,814,000).

GOING CONCERN

The Directors are satisfied that the Company has 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. For further information see the Group's accounting policies.

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.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less accumulated depreciation and any reduction for recognised impairment in value with a corresponding charge to the profit and loss account. Cost reflects purchase price or construction cost of the asset together with any incidental costs of bringing the asset into use. Land is not depreciated. Depreciation on other assets is applied on a straight-line basis so as to reduce the assets to their residual values over their estimated useful lives. The rates of depreciation used are:

Plant and machinery	Four years
Buildings	50 years

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.

INVESTMENTS IN ASSOCIATES

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

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

DEFERRED TAX

Deferred income taxes are calculated using the liability method on timing differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax on timing differences associated with shares in subsidiaries is not provided if reversal of these timing differences can be controlled by the Company 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 Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible timing 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.

GOODWILL

In accordance with FRS 10 "Goodwill and intangible assets", goodwill acquired in a business combination is amortised on a straight line basis over a period of 7.5 years.

The consideration transferred by the Company 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 Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

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

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

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

2. EMPLOYEES

Average weekly number of employees, including Executive Directors:

	2015 Number	2014 Number
Administration	**9**	6

Staff costs, including Directors:

	2015 £'000	2014 £'000
Wages and salaries	**821**	563
Social security costs	**127**	68
Other pension costs	**105**	45
Share based payments	**23**	41
	1,076	717

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

3. OPERATING PROFIT

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

4. INVESTMENTS IN SUBSIDIARY COMPANIES

	Investment in subsidiary companies £'000
Cost and net book value	
At 27 September 2014	21,447
Investments made in the year	7,927
Share options granted to subsidiary company employees	230
At 3 October 2015	**29,604**

Further details of the investments made in the year are given in note 30 to the Group financial statements. In the holding company financial statements certain acquisition costs are capitalised alongside the consideration paid. These costs are written off in full in the Group Consolidated Statement of Comprehensive Income, which is prepared under IFRS.

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

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

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

5. GOODWILL

	Total £'000
Cost	
At 27 September 2014	—
Acquired through business combinations	4,860
At 3 October 2015	**4,860**
Amortisation	
At 27 September 2014	
Charge for the period	(648)
At 3 October 2015	**4,212**
Net book value	
At 3 October 2015	**4,212**
At 27 September 2014	—

The goodwill has arisen on the acquisition of Greenlane is mainly attributable to the skills and talent of the workforce and the anticipated value of synergies that Greenlane can bring to the wider Pressure Technologies Group.

6. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 27 September 2014	—	40	40
Additions	3,355	402	3,757
At 3 October 2015	**3,355**	**442**	**3,797**
Depreciation			
At 27 September 2014	—	12	12
Charge for the period	10	75	85
At 3 October 2015	**10**	**87**	**97**
Net book value			
At 3 October 2015	**3,345**	**355**	**3,700**
At 27 September 2014	—	28	28

7. INVESTMENTS IN ASSOCIATED COMPANIES

	£'000
As at 27 September 2014	221
Share of losses	(221)
As at 3 October 2015	**—**

Further details of the investments in associated companies, including the Group's share of assets and liabilities, are set out in note 18 to the consolidated financial statements.

In the holding company financial statements certain acquisition costs are capitalised alongside the consideration paid. These costs are written off in full in the Group Consolidated Statement of Comprehensive Income, which is prepared under IFRS.

8. DEBTORS

	2015 £'000	2014 £'000
Amounts: falling due within one year		
Prepayments and accrued income	**198**	45
Other debtors	**108**	2,874
Amounts owed by Group companies	**1,019**	543
Deferred tax (note 12)	**21**	21
	1,346	3,483

	2015 £'000	2014 £'000
Amounts: falling due after one year		
Loans to associated companies	**—**	1,436
Amounts owed by Group companies	**11,307**	5,715
	11,307	7,151

9. CREDITORS

	2015 £'000	2014 £'000
Amounts: falling due within one year		
Trade creditors	**62**	41
Other tax and social security	**89**	32
Amounts owed by Group companies	**35**	—
Accruals and deferred income	**424**	581
Corporation tax	**97**	—
Deferred consideration	**2,368**	1,985
	3,075	2,639

	2015 £'000	2014 £'000
Amounts: falling due after one year		
Deferred consideration	**3,346**	2,432
Amounts owed by Group companies	**1,250**	—
Bank loan	**10,000**	—
	14,596	2,432

10. TAXATION

	2015 £'000	2014 £'000
Current tax		
Current tax expense	**—**	—
Under provision in respect of prior years	**97**	—
	97	—
Deferred tax		
Origination and reversal of temporary differences	**—**	(13)
Total taxation charge/(credit)	**97**	(13)

Corporation tax is calculated at 20.5% (2014: 22%) of the estimated assessable profit for the period. Deferred tax is calculated at 20% (2014: 20%).

11. SHARE CAPITAL

Details of the Company's authorised and issued share capital and of movements in the year are given in note 28 to the consolidated financial statements.

12. DEFERRED TAX

	2015 £'000	2014 £'000
Opening balance for the period	**21**	8
Credit for the period	**—**	13
Closing balance for the period	**21**	21

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

	2015 £'000	2014 £'000
Cost of share options	**25**	20
Accelerated capital allowance	**(4)**	1
	21	21

13. RESERVES

	Share premium account 2015 £'000	Equity – non distributable 2015 £'000	Profit and loss account 2015 £'000	Share premium account 2014 £'000	Equity – non distributable 2014 £'000	Profit and loss account 2014 £'000
At beginning of period	**21,463**	**182**	**8,372**	5,387	114	6,495
Profit for the financial period	**—**	**—**	**2,999**	—	—	2,827
Share option cost	**—**	**—**	**23**	—	—	41
Share options granted to subsidiary employees	**—**	**230**	**—**	—	68	—
Shares issued	**76**	**—**	**—**	16,076	—	—
Dividends	**—**	**—**	**(1,209)**	—	—	(991)
At end of period	**21,539**	**412**	**10,185**	21,463	182	8,372

See note 28 in the Group financial statements for details of the movements on share capital and share premium in the year.

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2015 £'000	2014 £'000
Equity shareholders' funds at beginning of period	**30,735**	12,564
Profit for the financial period	**2,999**	2,827
Dividends paid	**(1,209)**	(991)
Share option cost	**23**	41
Share options granted to subsidiary employees	**230**	68
Shares issued	**79**	16,226
Equity shareholders' funds at end of period	**32,857**	30,735

15. 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 the Report of the Remuneration Committee.

For details on other related party transactions, see note 33 in the Group financial statements.

16. ULTIMATE CONTROLLING PARTY

The Directors consider that there is no ultimate controlling party.

NOTES

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