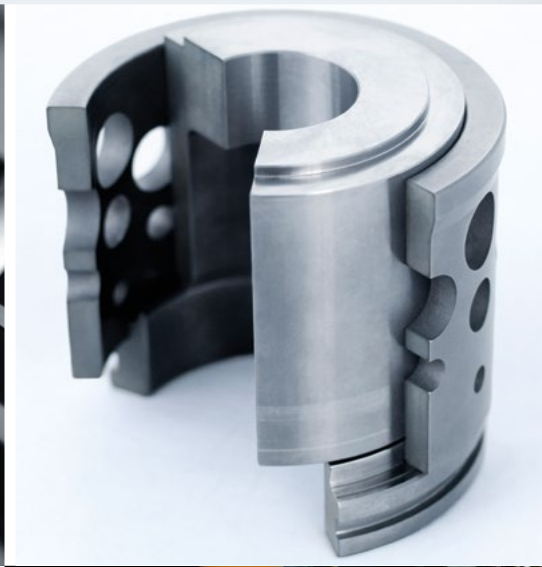


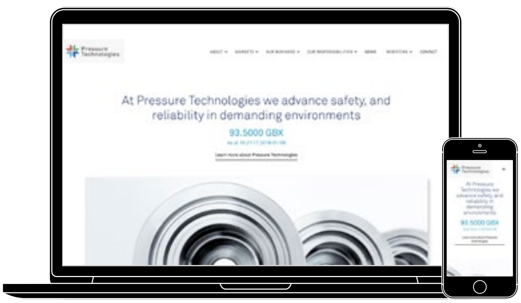
Advancing safety and reliability in demanding environments

Pressure Technologies

ANNUAL REPORT 2018

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

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



CONTENTS

Complex bespoke parts machined to exact tolerances

Origin: Made in South Wales

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

WHAT WE DO

We capitalise on our unrivalled 120 years of engineering heritage, by hiring and developing highly skilled craftsmen and design engineers who have the creativity and ingenuity required to solve complex design and manufacturing challenges. This differentiates us from our competitors and we are committed to continuously investing in our people and technologies to keep us at the forefront of engineering excellence.

OUR TRADING DIVISIONS

Precision Machined Components

The Division comprises, Roota Engineering, Quadscot Precision Engineering, Al-Met and Martract operating under the PMC brand. These businesses are leaders in their markets, with world-class lead times, highly specialised precision engineering skills and a blue chip customer base. Strong partnerships are formed with customers to develop technical solutions for their end product applications.

Serving the oil and gas market, these businesses specialise in supplying key components, made from super alloys, manufactured to exacting standards and tolerances, that are destined for extreme or hostile environments such as deepwater and subsea oil exploration and wear parts for offshore and onshore oil production.

Revenue

£11.2m

Adjusted operating profit

£1.5m

Cylinders

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

CSC's high pressure cylinders are a critical component for a number of end applications from defence submarines, to oxygen cylinders in fighter jets, the bulk storage of gases to ultra large air pressure vessel systems used for motion compensation on floating oil platforms.

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

Revenue

£9.9m

Adjusted operating profit

£1.1m

Alternative Energy

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

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

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

Revenue

£11.1m

Adjusted operating loss

£(0.5)m

HIGHLIGHTS

Revenue*

£32.2m

(2017: £34.6m)

Reported basic loss per share*

(13.9)p

(2017: (4.0)p*)

Adjusted operating profit**

£0.5m

(2017: £1.6m)

Adjusted net operating cash inflow***

£0.5m

(2017: £0.9m)

Reported loss before tax

£(3.1)m

(2017: £(1.4)m)

Closing net debt

£6.7m

(2017: £11.1m)

Adjusted earnings per share*

0.7p

(2017: 10.0p*)

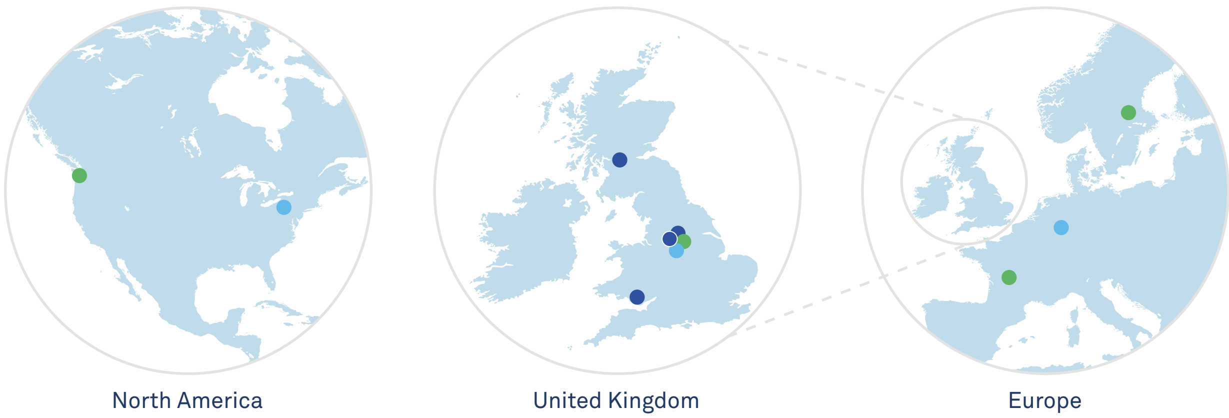
* Continuing operations only.
** Operating profit excluding acquisition costs, amortisation on acquired businesses and exceptional charges and credits.
*** Before cash outflow for exceptional costs.

WHERE WE OPERATE

Our manufacturing is UK based with our businesses serving a global blue chip customer base from operations in Europe and North America.

Map key

- Precision Machined Components
- Cylinders
- Alternative Energy



OUR MARKETS

Our business serve four core markets

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

⊕ For more on our markets **see p10**

Strategic Report

A global reputation for innovation and safety

Defence

Link to strategy

Identify & develop profitable niche opportunities in growth sectors

Read more about our strategy on p09

Trusted by the World's Navies and Air Forces

Chesterfield Special Cylinders is the leading global supplier of high pressure gas storage solutions to NATO member states and NATO-friendly nations*. Its specialist cylinders are vital components in many of the world's submarines, aircraft and surface vessels.

As a long-term key partner to navies globally, CSC's reputation for designing and manufacturing high pressure cylinders goes back to the 1930's, when it first developed safety-critical solutions for the Royal Navy. That partnership continues today and CSC now also benefits from a five-year strategy - developed in the face of a shrinking oil and gas market - to develop a long-term defence sector order book through its office in Germany into a growing number of navies around the world.

The company also manufactures cylinders for global aerospace applications, with customers including the USAF and RAF. In alliances that date back to the early 20th century, the company's cylinders are integral to the lightweight gas containment systems essential for the safe operation of leading edge military aircraft, including the latest 5th generation fighter aircraft.

In addition, Chesterfield Integrity Management is the leading provider of inspection and testing services to the MOD and is responsible for ongoing cylinder performance on the Astute, Vanguard and Trafalgar classes of nuclear submarines. Known for its highly-respected rapid response unit, the CSC IM team's reputation continues to grow globally following successful deployments in many sectors and in challenging conditions.

*With the exception of the USA

Alan Wilson,
Chairman

> It's pleasing to report that the past few months have seen improved order intake trends and order book levels, supported by markedly higher bid activity throughout the Group.

Overview

It's fair to say that the much anticipated up-turn in the oil and gas industry took slightly longer to gain momentum than we had anticipated towards the end of last year. However, it's pleasing to report that the past few months have seen improved order intake trends and order book levels, supported by markedly higher bid activity throughout the Group.

As previously announced, John Hayward, CEO, stepped down from his role and Phil Cammerman, Non-Executive Director, retired during the year. Chris Walters was appointed as Chief Executive in September, bringing a wealth of experience in building successful global businesses and we look forward to him making a significant contribution in leading the Group.

Further substantiation of Chesterfield Special Cylinders' (CSC) market leadership was reinforced during the year when they became the only company from their peer group that managed to deliver unique, highly specialised cylinders for the Dreadnought Class of nuclear-powered submarines. The level of technical and manufacturing skills involved in such an undertaking is remarkable and it can only be offered from CSC – a company of master craftsmen!

During the past year, we have reviewed our portfolio of companies, with the view to refocusing our efforts on where we can achieve market leadership and deliver more predictable growth in sales and profits.

In June, we announced the sale of Hydratron, which formed the Group's Engineered Products Division, for an initial cash consideration of £1.1 million, with an additional consideration of up to £2.25 million, which may become payable in cash, contingent on the company's future trading performance.

In the second-half of the year, focus turned to reviewing the strategic options for the Alternative Energy Division (AE) to realise the full potential of the Greenlane Biogas business in the expanding market for renewable natural gas (RNG), acknowledging that the nature of RNG development projects and plant installation contracts are no longer strategically compatible with the Group's focus on highly specialised manufacturing in oil and gas and defence markets.

We conducted a comprehensive review of divestment options, including an outright sale, a merger or stock market listing. After generating positive interest in the business, the Board opted to proceed with a listing on the Canadian TSX-Ventures Exchange stock market (TSX-V) as the most attractive approach, primarily due to deal deliverability, timing and value realisation. This option also allows the Group to retain a minority stake in the listed entity and benefit from the anticipated upside potential. I am pleased to report that on 10 December 2018, the Group announced it had commenced a process to spin out Greenlane and list it on the TSX-V, which will be accomplished by selling it to Creation Capital. We will remain a supportive minority shareholder and anticipate retaining our holding for the medium term. We anticipate this will conclude during the first quarter of 2019.

Results

Group revenue was £32.2 million in the year, a 7% decline from last year, mostly as a result of lower turnover in AE. The turnover from our manufacturing divisions was up by 13%. Operating profits were modest at £0.5 million, however, returning a positive result on such low sales is clear evidence of the efforts taken in the past few years to align costs and improve operating efficiency.

The manufacturing divisions achieved returns on sales of between 11% and 13%, which is commendable in what were tough trading conditions in oil and gas. The AE Division recorded a small overall operating loss in the year, primarily due to low order intake in the first-half, but it was profitable throughout the second-half following its restructure.

The modest operating cash flow of £0.3 million reflects the phasing of large contract revenues around the year-end.

The Board has again resolved that no dividend shall be paid to shareholders this year as investment in the core manufacturing businesses remains the priority for capitalising on the improving markets conditions.

Outlook

Clearly, the opportunities for growth that we anticipated at the beginning of last year didn't materialise until later in the year. However, recent trading performance, order intake and general bidding activity indicates that we're seeing a period of increased market activity, particularly for oil and gas, so the Board expects a much better trading performance from the Group this year.

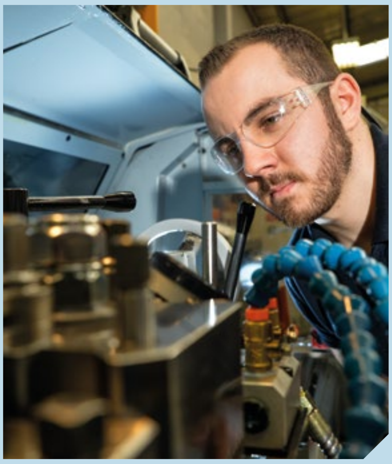
This increase in activity has been fuelled by greater confidence in the global oil and gas market, where most international oil companies have recently reported strong quarterly profits, which has in turn spurred a flurry of investment in capital projects. Time will tell whether these promising signs gather further momentum, in an environment where the USA Government is actively lobbying some of the world's largest crude oil producers to increase production in order to push prices down, thereby stimulating economic growth. This is an economic model that is more suited to heavily industrialised nations, but not for those who are reliant on oil revenues to fund domestic spending. The tensions are obvious.

When reflecting upon factors within the Board's control, the past year could be considered transformational, with the strategic divestment of two Divisions. Once the Greenlane Biogas deal has concluded, the Group will be in a stronger position to realise the efficiency benefits gained from recent restructuring and performance improvement measures, thereby capitalising on improving market conditions.

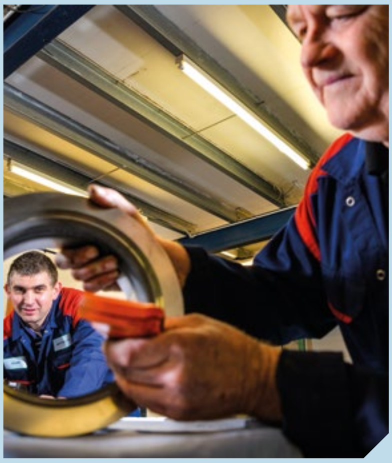
It is worth highlighting that the trading outlook for next year is much more encouraging, with year-end order books in our core manufacturing divisions between 36-54% higher than at the same time last year.

The Board anticipates that funds generated from the portfolio rationalisation will provide the Group with a strengthened balance sheet, so we are actively looking at how we may be able to leverage that to accelerate growth in target markets.

Alan Wilson
Chairman
10 December 2018





How we run our business

OUR PURPOSE

To advance safety and reliability in demanding environments through technology, high-quality engineering and the skills of our people.

OUR VISION

Our vision is to build a Group that is globally recognised within our markets as the leading provider of pressure containment and control products and services to customers who operate in highly-demanding, safety-critical environments where the consequences of product failure could be catastrophic.

Oil and gas | Defence | Industrial gases | Renewable energy

To read more about our Marketplace **see p10 and 11**

MARKET SECTORS

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

CUSTOMER VALUE PROPOSITION

- World class
- Niche specialism
- Technical capability
- Agility

OUR PURPOSE

Advancing safety and reliability in demanding environments

GROWTH MODEL

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

REVENUE MODEL

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

HOW WE DO IT – STRATEGY

The Group is well placed to take advantage of improving market conditions and realise the benefits of the investment in people, new equipment and supporting processes.

How we delivered in 2018

Consolidate & build the business

- Hydratron, which formed the Group's Engineered Products Division, was sold for an initial cash consideration of £1.1 million in June 2018
- Development of innovative manufacturing process to support margin improvement continues
- Post year-end the Group signed an agreement to sell Greenlane Biogas to Creation Capital, a capital pool company listed on the TSX Ventures exchange, which is anticipated to conclude in the first quarter of 2019

Related risk factors

1 Global economic conditions
3 Competitors and commercial relationships
4 Funding
5 Availability of key resources
6 Technology and innovation

Identify & develop profitable niche opportunities in growth sectors

- Cylinder's Integrity Management services have tremendous potential for growth outside the UK and Europe and the German office is being used to promote these safety-critical services to Navies worldwide
- Cylinder's diversification into global defence markets from 2014 has proved successful
- Capex investment programme planned for Precision Machined Components in 2019 to support a widening range of products for the expanding customer base – 15 new customers contributed 8% of the Division's revenue in 2018

1 Global economic conditions
2 Governmental policy and legislation
4 Funding
5 Availability of key resources
6 Technology and innovation

Identify & develop profitable acquisition opportunities

- Funds generated from the divestments in non core businesses will provide the Group with a strengthened balance sheet
- Increasing the capability, scale and reach of the Group's core specialist manufacturing activities, in target oil and gas and defence markets, remains a strategic focus

1 Global economic conditions
4 Funding
5 Availability of key resources

Read more about our risks and uncertainties **see p26**

KEY STAKEHOLDERS - WHO WE CREATE VALUE FOR

Our business is reliant on a number of key stakeholders who we work with to maintain strong relationships.

Employees

Our employees are the bedrock on which the Company is built and we strive to create a working environment where our employees can fulfil their potential by offering training, career opportunities and providing a platform for innovation. By doing this, we get the best from our people who enjoy working with us. Our aim is to be the employer of choice within our industry. For more detail about what we have been doing this year see our sustainable and responsible business on pages 16 and 17.

Customers

Our customers are pioneers in what they do and we work in close collaboration with them to go above and beyond to develop technical solutions for their engineering needs and produce products that can be trusted to deliver in environments where failure would be catastrophic. These strong working relationships are built on the honest and open way in which we do business and our culture of delivering excellence. For more detail on how we work in collaboration with our customers see pages 30 and 52.

Shareholders

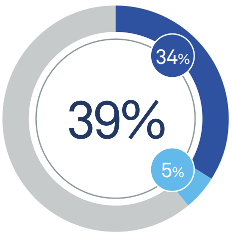
Through strong management, we have demonstrated resilience during challenging market conditions, responding to changing environments and reviewing the focus of the Group to ensure we remain well positioned to deliver value to shareholders.

Adapting in a dynamic market

As a Group, our companies serve four core markets.

Oil and gas

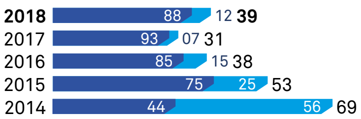
2018 % OF GROUP REVENUE



Market served by

Precision Machined Components
Cylinders

%



2018 Total revenue

£12.5m

(2017: £10.6m)

The market environment

The sustained low oil price environment of recent years has advanced technical innovation in the oil service industry and reduced the cost of oil exploration and production. An era of collaboration between the oil service majors and component manufacturers now exists to produce parts more efficiently, on a 'cost-out' basis, without compromising integrity and often improving it.

Market potential

The precision machining businesses in the Group are leaders in their markets, supplying high integrity components for subsea applications to global oil services companies. The Group has embraced the shift to collaborative working and invested in sales and technical capabilities. See pages 30 and 52 for examples of how we are working with new and existing customers.

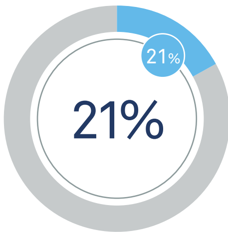
Cylinders is focused on defence, and will benefit from an upturn in the oil and gas sector, with demand for its motion compensation systems on offshore oil platforms anticipated to recover from 2020.

Market drivers

Global demand for oil remains strong at near 100 million barrels per day (mbd), supported by growth from emerging markets. The low oil price environment of recent years has seen large scale investment cuts in oil exploration, resulting in lower oil discoveries. With an oil price above $50, confidence to sanction new projects has returned.

Defence

2018 % OF GROUP REVENUE



Market served by

Cylinders

%

2018 Total revenue

£6.6m

(2017: £6.4m)

The market environment

Military spending globally is at record levels, having risen to $1.74 trillion in 2017. In the UK, the MoD spend for 2017/2018 was £36.6 billion, with an additional £1 billion promised in the 2018 Autumn budget. The committed spend over the next 10 years is almost £180 billion, £44 billion of which is on submarines, principally Dreadnought and £19 billion on ships, including the Type 26 Frigate.

Market potential

CSC has long-term contracts to supply bespoke products and services for the key submarine build programmes and for surface vessels such as the Type 26 Frigate. Its status as the leading global supplier of high pressure gas storage solutions to NATO member states and NATO-friendly nations remains stronger than ever, underpinned by the growing importance of Chesterfield Integrity Management (CSC IM), which is the principle provider of inspection and testing services to the MoD for ongoing cylinder performance and safety management on the Astute, Vanguard and Trafalgar classes of nuclear submarines.

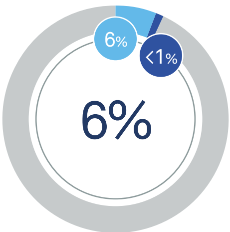
CSC IM's five year strategy to develop a long-term defence sector order book through its German office continues to secure contracts with a growing number of navies around the world.

Market drivers

The current defence spend is being driven by the need to update aging warcraft and pressure from the US for NATO allies to increase defence spending.

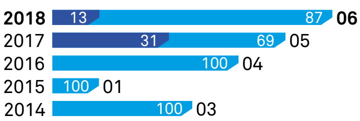
Industrial gases

2018 % OF GROUP REVENUE



Market served by

Precision Machined Components
Cylinders



2018 Total revenue

£2.0m

(2017: £1.7m)

The market environment

This market crosses multiple sectors, for Chesterfield Special Cylinders (CSC) this is cryogenics and bulk gas transport and storage, as well as scientific research facilities and universities. As disciplines such as cryogenics continue to expand the demand for bespoke, high quality gas containment systems also grows, driven by safety and control requirements. The growth of gas management systems within the education sector is being driven by the expansion of vocational and practical courses nationally and internationally.

Market potential

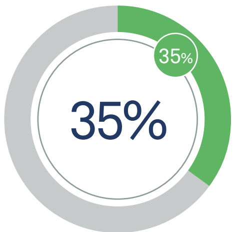
CSC provides both storage solutions as well as inspection, reconditioning and retest services through its Integrity Management team. The industry has a CAGR of 7.7%. and further opportunities for CSC will come from education, nuclear power, gas storage, and scientific research. CSC is renowned across the UK education sector for its ability to meet the highest design and manufacture standards.

Market drivers

The key drivers are the growth of education as a business, increasing knowledge based economies, the ongoing development of the cryogenic industry.

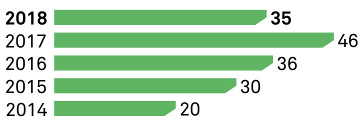
Renewable energy

2018 % OF GROUP REVENUE



Market served by

Greenlane Biogas



2018 Total revenue

£11.1m

(2017: £15.8m)

The market environment

The Global biogas upgrading market is growing at a CAGR if 28.7% pa, and is anticipated to reach $1.97 billion by 2022. It is supported globally by government initiatives both at national and regional levels. The market for biogas generation (RNG) is estimated to grow significantly due to its better efficiency as compared to other renewable energy resources.

As the Hydrogen market grows so too does the need for gas storage, creating opportunities for CSC.

Market potential

Greenlane is strategically located to capitalise on demand from countries focused on developing or renewing biogas facilities. The total biogas market in Canada has potential to reach 1,000-1,500 facilities, requiring investment of $3 billion in the next 15-20 years. In Europe, France has targets for the injection of RNG into the grid, of 10% by 2030. In Italy it is estimated that by 2030 RNG could meet the 10% of domestic natural gas demand.

Market drivers

Strict Government regulations, greenhouse gas emissions reductions, renewable energy demand and the banning of organic waste to landfill, are key drivers for biogas upgrading. Energy providers are increasingly investing in RNG to meet sustainability targets.

The growth in renewable energy as part of the energy mix is also driving the need for gas storage, particularly hydrogen.

Chris Walters,
Chief Executive

> Operational improvements and continued investment in our people, production capability and Group support underpin our confidence and our ability to realise this tremendous potential in our target markets.

This is a very exciting time for the Group and I am delighted to join the team. During my first few weeks, I have met proud and committed colleagues in a business with unrivalled heritage and a leading reputation for craftsmanship and quality.

The past year was evidently an unpredictable and challenging one for the Group, but many positive steps have been taken to prepare the business for steadily improving conditions in our core markets. As momentum builds gradually in the oil and gas industry and our presence grows further in global defence markets, we have significantly strengthened our order book and have a clearer view of our customers' project pipeline today than at any point in the past three years.

Operational improvements and continued investment in our people, production capability and Group support underpin our confidence and our ability to realise this tremendous potential in our target markets. I am excited to be leading the Group and our valued colleagues into 2019 and beyond, building on our strong foundation and setting a clear vision for innovation, development and growth.

Performance

Overall Group revenue for the year was £32.2 million (2017: £34.6 million), down 7% as a result of fewer renewable energy projects. Revenue in our core manufacturing divisions increased by 13% to £21.2 million (2107: £18.8 million). Adjusted operating profit was £0.5 million (2017: £1.6 million), down as a result of operating losses in our Alternative Energy Division, mix-driven lower gross margins in manufacturing and investment in people and operating structure.

Oil and gas sector

£ million revenue	**2018**	2017	2016	2015
Group	**12.5**	10.6	11.9	25.1
PMC	**11.0**	9.8	10.2	18.8
Cylinders	**1.5**	0.8	1.7	6.3

Revenue from oil and gas sector customers increased 18% to £12.5 million (2017: £10.6 million) as activity in this sector made further gains over the low point in 2017, driven by increased order volumes in our Precision Machined Components Division (PMC) and the delivery of drillship air pressure vessels in our Cylinders Division. The recovery in oil and gas exploration and production activity has been unpredictable for the Group and our customers. We experienced a very slow third-quarter as our customers focused internally on planning and resourcing for increased project execution and procurement activity, generating a tendering surge in the fourth-quarter and pressure on lead times to meet project deadlines.

Throughout the downturn, gross margins in our PMC Division, which focuses primarily on this sector, have remained above 30% and were 33% in 2018 (2017: 35%), with the cost impact of higher base material content and carbide coatings offsetting efficiency improvements from new equipment and processes. Margins in the year were also affected by new product development work with new and existing customers.

These developments have extended our product range and delivered new revenue streams with strong margins. A total of 15 new customers contributed 8% of total PMC revenue in the year.

Defence sector

£ million revenue	**2018**	2017	2016	2015
Group	**6.6**	6.4	6.5	7.5
PMC	**—**	—	—	—
Cylinders	**6.6**	6.4	6.5	7.5

Defence sector revenue increased slightly to £6.6 million (2017: £6.4 million). Delays to several key defence projects resulted in revenue being strongly weighted to the second-half of the year and slipping into 2019. Standard and bespoke cylinders for the Dreadnought submarine programme contributed significantly alongside the Type 26 frigate project, which was secured in the first-half of the year. Export naval revenue increased significantly, driven in particular by successful projects in South Korea.

Integrity management revenue increased 21% to £0.8 million (2017: £0.7 million) as activity for the UK naval support contract ramped up, having been delayed from the first-half of the year.

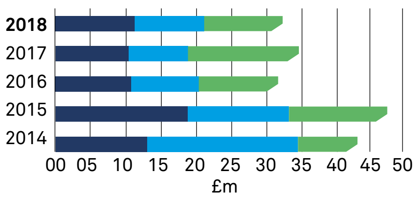
Driven by defence project revenues, overall gross margin in our Cylinders Division, which focuses primarily on this sector, remained strong at 35%, but fell below the 41% peak of 2017 due to a reduced volume of high-margin aerospace orders, product development work and increased direct labour costs.

Industrial gas sector

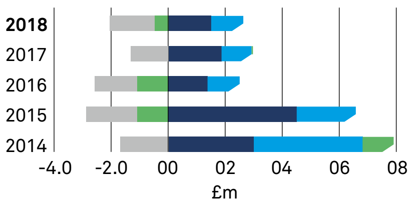
£ million revenue	**2018**	2017	2016	2015
Group	**2.0**	1.7	1.3	0.6
PMC	**0.3**	0.5	—	—
Cylinders	**1.7**	1.2	1.3	0.6

Revenue increased 16% in this sector, driven by favourable phasing of cyclical refurbishment work for our largest customer off-setting the lower volume in this sector from PMC in the year.

5 year sales history by division



5 year operating profit history by division

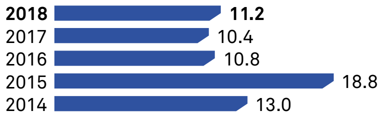


Key
- Precision Machined Components
- Cylinders
- Alternative Energy
- Central

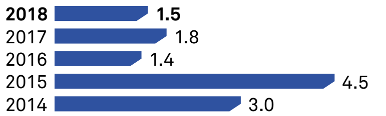
*Before M&A costs, amortisation and exceptional charges and credits.

Precision machined components

Revenue £m

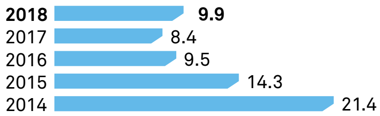


Adjusted operating profit* £m

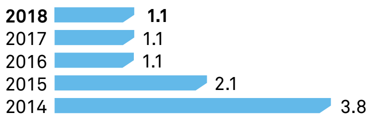


Cylinders

Revenue £m

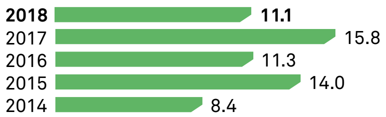


Adjusted operating profit* £m

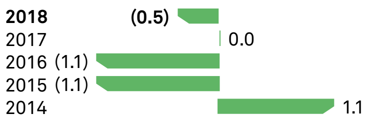


Alternative energy

Revenue £m



Adjusted operating result* £m



Sale of Hydratron, Engineered Products Division

The prolonged downturn in the oil and gas market impacted Hydratron more than the Group's other precision machining businesses.

Successful steps were taken to re-align the business and establish the foundations for future growth, however the Board concluded that it would be better served as part of a Group that could immediately enhance its critical mass and market position.

Initial cash consideration

£1.1m

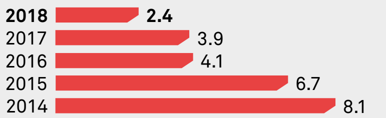
Contingent consideration

£2.25m

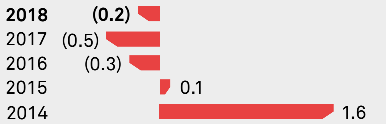
Link to strategy

Consolidate and build the business

Revenue £m



Adjusted operating (loss) / profit* £m



Renewable energy sector

£ million revenue	2018	2017	2016	2015
Group	**11.1**	15.9	11.3	14.0
AE	**11.1**	15.8	11.3	14.0
Cylinders	**—**	0.1	—	—

Alternative Energy Division (AE) projects dominated Group performance in this sector, with £11.1 million overall for the year (2017: £15.8 million) and a second-half revenue of £8.3 million, as work started on three projects secured earlier in the year.

Overall revenue was adversely impacted in the UK by delays in the Renewable Heat Incentive amendments, complexity and client funding arrangement delays on contract awards in the Americas and the disruption to commercial activity experienced through divisional restructuring throughout the prior year. However, overall gross margin improved to 22% (2017: 17%) as a direct result of this restructuring.

People

The success of the Group comes from our people. Our performance and our reputation are achieved through their skills, experience and relationships, through their hard work and from the way they collaborate with colleagues and with our customers.

I am personally committed to ensure all colleagues have a safe place to work, where we also positively support their health and well-being. We have further strengthened HSE management across the Group with new roles in our operational sites, supporting more focused workplace risk assessment and performance reporting. A new working group is evaluating improvements to the way we support health and well-being across the Group, with the aim of promoting a positive working environment and fulfilment for existing and prospective colleagues and enhancing our employer brand.

Recruitment to meet the growing workload and new skill requirements has progressed successfully, building on our 230-strong workforce. Several former colleagues who left the business during the downturn have re-joined us and we have invested further in apprenticeships across the Group.

Earlier this year, we carried out a Group-wide engagement survey to objectively gather views from our colleagues on how they feel about a range of factors related to working within the Group. Overall, the results were positive, showing a high degree of colleague engagement and a strong sense of pride in the companies they work for. The survey also identified areas for improvement, which has helped focus management priorities throughout the year.

We recently launched a Group management development programme, bringing Directors, managers and supervisors together for a tailored course, focusing on key skills and knowledge of employment legislation and giving our management teams a practical toolkit for best practice in people management.

Further progress has been made with standardising our people management policies and guidelines, giving our managers and staff access to an efficient and supportive centralised resource, improving compliance and consistency across the Group. We also completed an extensive programme of work to bring the Group into compliance with GDPR requirements.

Finally, on people, I would like to thank John Hayward, my predecessor for his time and support during our handover. I very much enjoyed working with John, under whose leadership the Group has been built on core values of honesty and integrity. These values are clearly evident across the business and remain fundamental to everything we do.

Strategy and Outlook

The Group is well placed to take advantage of improving market conditions and realise the benefits of investment in people, new equipment and supporting processes.

Precision Machined Components Division

Delivery of high-quality, safety-critical components for the oil and gas industry remains the predominant focus for PMC in the medium-term, where our expertise is increasingly well recognised and respected. Oil and gas market commentators and our key customers remain cautiously optimistic about the continuing growth in international exploration and production investment, with many major projects due to commence in 2020.

Tendering activity increased sharply towards the end of the year and has continued to rise. The closing order book in September 2018 was 54% up on the same period in 2017, with 14% of the total order book coming from new customers secured through 2018. The Divisional order intake reached its highest level in October 2018 for over four years, with a rolling 12-month order intake 24% higher than at the same time in 2017.

Investment in people to manage our existing customers and drive new product and new customer opportunities in target areas has helped improve our responsiveness and success rates. Closer customer relationships have given us greater visibility of new leads, helping to inform load and capacity planning within our production teams.

Our capex investment programme will accelerate through 2019, further equipping the Division with the very latest high-performance machining centres that allow us to support a widening range of products for our customers, as they seek to consolidate their approved supplier lists and to value-engineer their designs with our input.

Margin improvement remains a focus, supported by further investment in skills and training, the development of innovative manufacturing processes and more effective management of our supply chain and subcontracted services.

Beyond the organic growth seen in our rising order book, increasing our capability, scale and reach through acquisitions remains a strategic focus. Recent standardisation of operating models and experience gained through effective collaboration between our individual brands has helped blueprint an effective Group approach to future acquisitions of highly specialised, niche manufacturing operations in target markets.

Cylinders Division

Our Cylinders Divisional strategy remains firmly on course to achieve greater inroads in target markets. The diversification into global defence markets from 2014 has proved highly successful, strengthened by the opening of our German office and the development of key relationships and opportunities in new regions. This sector remains the organic growth focus for the foreseeable future with strong potential to replicate the success seen with the Royal Navy across NATO-friendly navies worldwide.

In the UK, submarine and surface warship build programmes remain largely unaffected by cuts in defence spending and we are established suppliers to the extensive Dreadnought submarine and Type 26 frigate projects, with order book visibility to 2023 and project horizons out to at least 2030.

Defence budgets in the US remain robust and our local team continue to drive the qualification of our products, while managing key relationships in US army, navy and air force departments. Our rapid response in providing a solution for the USAF F-22 Raptor has helped promote our reputation in this target market.

Our Integrity Management services have established a strong presence and an enviable reputation in the UK defence market with the in-service submarine programme. This business has tremendous potential for growth outside the UK and Europe and is a focus area for accelerated development.

Strategically we are channelling efforts through our German office to promote safety-critical Integrity Management services to navies worldwide.

In oil and gas markets, we are well positioned to respond to a predicted upturn in drillship and semi-submersible projects from 2020. It is notable that the Cylinders Division recently delivered the only two major air pressure vessel supply contracts awarded globally in this sector and is the 'go to' supplier as the upturn approaches. Customer relationships remain strong and our investment in product R&D continues, keeping us at the forefront of this sector.

As the focus on renewable energy usage grows globally, we are set to build on our breakthrough order in 2018 for the supply of hydrogen refuelling station cylinders in the UK. We recently secured a second major European order and are well positioned with our tendering partners to win further contracts. There are several target customers in the European hydrogen market and we are well positioned as a key supplier, partner and service provider, offering technical advice and support from the very early stages of project development. There are significant growth opportunities for large, high-pressure cylinders in this market as hydrogen power plays an increasing role in mass transport systems worldwide.

Further investment in new technology to advance our production, handling and finishing processes is underway, bringing improved efficiency and reliability. We are also working with academic partners to evaluate innovative production methods for our ultra-large cylinders and assessing improvements to supply chain management for materials and subcontracted services.

Alternative Energy Division

The global outlook for renewable natural gas (RNG) has improved again throughout the year with governments and energy majors increasing their commitment to renewables in the global energy mix, with RNG playing a significant role, particularly in the US and Europe.

Significant progress has been made in forming relationships with project developers, grid operators and energy majors in these key regions and our strategic decision to centre the Division in Vancouver positions Greenlane Biogas perfectly to take advantage of new opportunities. With a closing order book of £7 million and a £30 million pipeline of high-probability opportunities for order placement in 2019, the potential for Greenlane in this growing sector appears to be very strong.

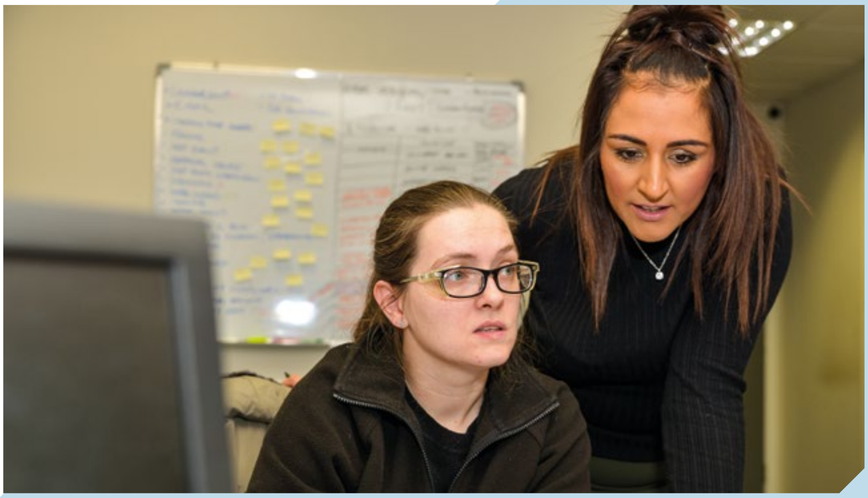
In June 2018, we announced that strategic options would be evaluated for our Alternative Energy Division and Greenlane Biogas that would help unlock value for our shareholders and refocus the Group on core specialist manufacturing activities in defence and oil and gas markets.

Post year-end the Group signed an agreement to sell Greenlane Biogas to Creation Capital, a capital pool company listed on the TSX-V, which is anticipated to conclude in the first quarter of 2019.

Chris Walters
Chief Executive
10 December 2018

Doing the right thing

Further details about our Environmental and Social Governance can be found on our website. Here's an update of what has been achieved in the year.



ENVIRONMENT

We manage how our activities impact the environment and continually review how environmentally friendly processes could help improve our environment and ensure the best use of resources as well as achieving direct cost savings.

The Group employs a Director of Group Health, Safety, Quality and Environment, who reports directly to the Chief Executive. He is responsible for ensuring that the Group employs best practice that is consistent around the Group and leads the team of health and safety managers employed at each business in the Group. Overall responsibility for ensuring environmental policies are adhered to is the responsibility of the Board, with health and Safety and Environmental meetings held quarterly with the entire Health and Safety team, the Chief Executive and a Non-executive Director. In addition monthly performance meetings are held with the whole team.

Development of Environmental KPI's – At a Group level we measure and report on environmental incidents (see KPIs on page 24), however around the Group KPI's vary from business to business. Part of the team's remit for 2019 is to develop a comprehensive set of Group-wide KPI's to ensure best practice is consistent in all companies in the Group.

Commercial waste and recycling – Many of our businesses use waste management companies who work with us to help us achieve zero waste to landfill. During the year we rolled out the use of these companies to all the businesses in the Group. All our manufacturing businesses, working with large quantities of metal, operate policies for scrappage and any income from the sale of scrap is accounted.

Cutting oils – Around the Group we encourage the use of more environmentally friendly cutting oils and chemicals used in our manufacturing processes to ensure that they are the safest and cleanest they can be for the environment and for the safety of our employees. In 2019 all Group companies will move towards using these cutting oils.

SOCIAL

Health and Safety

Continual improvements to health and safety remain a priority for the Board. As detailed the Group employs a Director of Group Health, Safety, Quality and Environment who reports to the Chief Executive and a Health and Safety manager is employed at each of the Group's subsidiary businesses.

The role of the Director of Group Health, Safety, Quality and Environment is to continually improve the Group's health and safety position through training, communication and the use of technology and to ensure that the Group employs best practice that is consistent around the Group. Activities undertaken during the year have resulted in the accident rate (minor non reportable accidents) being reduced by 10%.

Technology – During the year new audit record software was introduced, which simplifies the process for recording and analysing accidents, enabling us to identify and address problem areas in real-time. The creation of this central point for all information from all the Group's businesses, significantly enhances communication and the promotion of best practice.

Health and Safety Standards - Al businesses in the Group, with one exception where approval will be obtained in 2019, have OHSAS 18001.

Training - In addition to the continual training conducted by external companies, we now employ an in-house trainer to support the ongoing programme.

Communication – Health and safety is kept at the forefront for every employee through 'Safety moments' in staff meetings and the introduction of 'Toolbox Talks' at every site to enhance existing procedures.

Employees

Committed, well trained, highly skilled and motivated employees are at the heart of all our business. Making Pressure Technologies a great place to work is at the forefront of our People Plan and the overarching aim of our HR Director, Andy Graham.

Employee Engagement Survey – We launched the first survey in January 2018 and received an overwhelming 70% response rate with very pleasing results. The survey is intended to provide a benchmark for continual improvement.

Health and Wellbeing initiative – To coincide with World mental health day on 10 October 2018, we launched our Health and Wellbeing steering group. The role of that team is to support our commitment to being a safe, healthy and caring employer. It has responsibility for ensuring that work practices and processes, our support facilities and the physical environment, meet our high standards.

Flexible working – In April we launched our flexible working policy to support wellbeing and equal opportunities.

Management training – In order to equip our managers with the knowledge and skills to meet our legal governance obligations as well as the wider needs of our employees, we have commenced the roll out of a management development programme to all managers within the Group. The programme is designed to empower managers to provide more holistic support to staff and to develop and improve the performance of the people who report to them. In Addition, this training reinforces understanding of employment law and governance, including the Modern Slavery Act 2015.

SAYE – A long term view of the business is encouraged through the provision of SAYE share option schemes to UK based employees. The 2018 scheme saw a record take up in the number of shares applied for.

Charity – To support the launch of our Health and Wellbeing initiative, the Group has made MIND, the mental health charity, its nominated charity for 2019. The Group also continues to support local charities and employees who individually raise money for charities close to their heart.

GOVERNANCE

The Board fully supports the underlying principles of Corporate Governance contained in the Corporate Governance Code ('The Code') and adopted the 2013 Quoted Companies Alliance Code for Small and Mid-sized Quoted Companies ('the QCA Code'). In the 2016 and 2017 Annual Reports this Code is reported against.

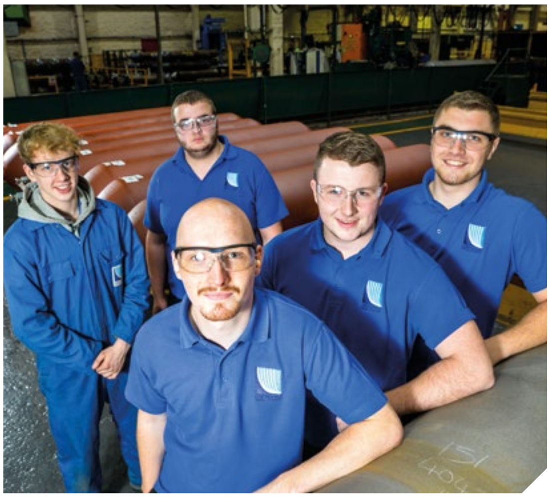
A revised QCA Code was released in April 2018 and the Board reviewed the revised Code and formally approved its adoption. The responsibility for ensuring compliance and accurate reporting of Corporate Governance resides with the Audit and Risk Committee ("the Committee"). Corporate Governance will be continually monitored and reviewed formally by the Committee annually, following publication of the report and accounts each year.

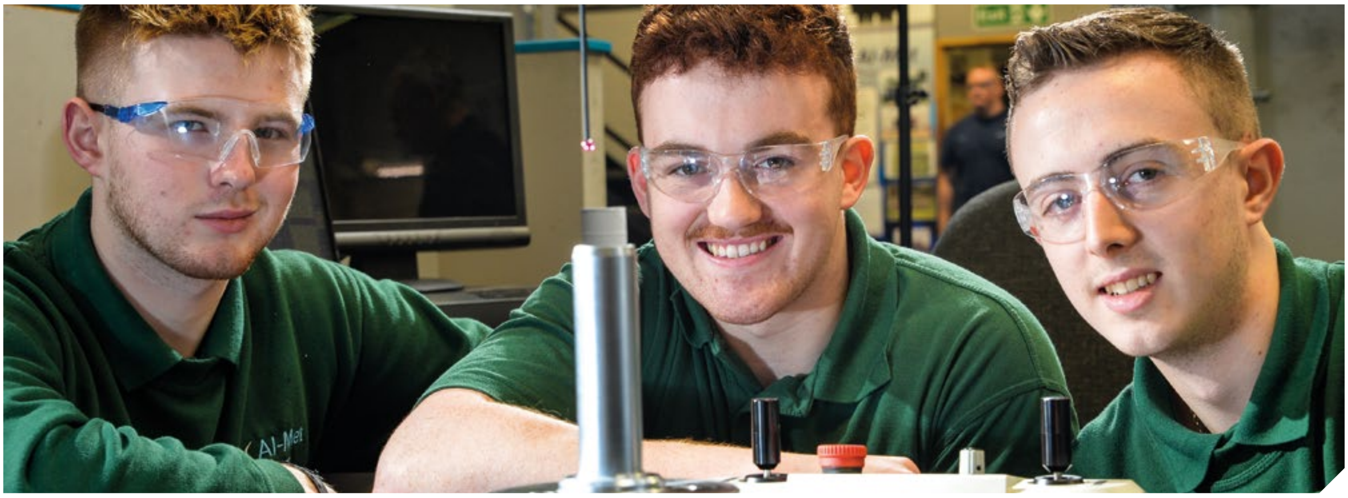
Full details of our corporate governance can be found on the Group's website.

⊕ Governance is also covered on **pages 32 to 34**

Our Apprentices

The Group has a long tradition of apprenticeships with many apprentices staying with the businesses and progressing to key senior roles. Apprenticeships ensure that skills and relevant business knowledge are continually renewed creating well informed future leaders.





Joanna Allen,
Chief Financial Officer

We have continued to shape the finance teams to focus on business insight and real-time analysis to support commercial decision making, investing in systems and processes to facilitate this.

Group revenue*
£32.2m
(2017: £34.6m)

Manufacturing Revenue*
£21.2m
(2017: £18.8m)

Adjusted operating Profit**
£0.5m
(2017: £1.6m)

Return on Revenue***
2%
(2017: 5%)

Net operating cash inflow****
£0.5m
(2017: £0.9m)

Closing Net Debt
£6.7m
(2017: £11.1m)

Fundraising of
£4.8m

R&D tax credit benefits as a % of revenue
2.5%
(2017: 1.5%)

* Continuing operations only.
** Operating profit excluding acquisition costs, amortisation on acquired businesses and exceptional charges and credits.
*** Adjusted operating profit divided by revenue.
**** Before cash outflow for exceptional costs.

I am pleased to present the results of what has been another very busy and transitional year for the Group. We have continued to shape the finance teams to focus on business insight and real-time analysis to support commercial decision making, investing in systems and processes to facilitate this, whilst continuously improving the efficiency of financial reporting.

Following the disposal of the entire issued share capital of Hydratron Limited all results and costs for the Engineered Products Division have been presented as discontinued operations, commentary is in respect of continuing operations.

The continuing manufacturing divisions are experiencing an uplift in activity with revenues from these divisions 13% up on the prior year. Second half was particularly strong, 32% up on the first half reflecting both the momentum of work in the oil and gas sector and phasing of large defence projects.

Alternative Energy also had a stronger second half returning an adjusted operating profit of £0.4 million. Four new biogas upgrader projects were awarded and commenced in the year. Non-upgrader sales for after-market support and other products decreased to £2.2 million (2017: £3.2 million). Whist revenue has reduced significantly to £11.1 million in 2018 (2017: £15.8 million), profitability in this Division has continued to improve, gross profit margin has increased by 5ppt to 22% in the year.

Across the Group, we have continued to invest in new equipment and technology. £1.1 million in new plant and machinery has been invested in the manufacturing divisions. A further £0.4 million has been invested in IT systems and technology, predominantly to support the AE Division. The R&D tax credit relief has increased with claims in 2018 expected to be in excess of 2.5% of revenue (2017: 1.5%).

In the short-term, the financial priorities continue to focus on the reduction in net debt with working capital management at the fore, whilst investing in new equipment, using efficient finance arrangements where applicable, and maximising available tax credits reflecting the focus on innovation. Debtor days have reduced to 53 (2017: 61) reflecting the continued focus on key account management and mix of customer balances at the year-end. This, along with the phasing of contract revenues, has resulted in a small net investment in working capital for continuing operations in 2018 of £0.2 million (2017: £1.5 million).

The oversubscribed share placing in November 2017 and the disposal of the EP Division in June 2018, both immediately reduced net debt which closed at £6.7 million (2017: £11.1 million) and this positions the Group well to capitalise on the clear momentum in market opportunity being experienced in the manufacturing divisions.

Trading result

Manufacturing

The manufacturing divisions contributed £2.6 million of adjusted operating profit in 2018 (2017: £2.9 million), Whilst the volume of work increased year-on-year the mix of work delivered was at an overall lower gross margin which has reduced return on revenue. Administrative costs remained at 22% of revenue due to the strategic investment in people and skills in readiness for anticipated workload in 2019 and beyond.

Alternative Energy

The benefits of the restructuring in 2017 are visible in Gross Margin improvement with 2018 seeing a 5ppt increase to 22% (2017: 17%). The revenue in the first half of £2.8 million (2017: £8.0 million) was adversely impacted by the restructuring in 2017 but recovered in the second half to £8.3 million (2017: £7.8 million) and the Division was profitable with a Return on Revenue of 5% in this half.

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

Central costs

Unallocated central costs (before M&A, amortisation on acquired businesses and exceptional charges) were £1.6 million (2017: £1.3 million).

In respect of the Group's various share option plans there was a net nil share-based payment cost in the year (2017: £0.1 million).

Exceptional items

Reorganisation and redundancy costs in the year were £0.3 million (2017: £0.7 million), which predominantly relate to the final parts of the Alternative Energy Division restructuring.

On 21 July 2018, John Hayward informed the Board of his decision to retire as Chief Executive Officer. John subsequently stepped down from the Board, with effect from 1 October 2018. CEO retirement costs include payment in lieu of contractual notice (£216,000) and the balance settlement costs.

M&A related exceptional items and amortisation costs were £2.6 million (2017: £2.0 million). The prior year included the £0.6 million write-back of the deferred consideration of Martract Limited.

Taxation

The tax credit for the year was £0.6 million (2017: £0.8 million).

The loss before tax, effect of the change in tax rates in the year and adjustments in respect of prior years have all contributed to the significant credit in the 2018. The applicable current tax rate for the year is 19% (2017: 19.5%). The reduction in rate of tax and the utilisation of losses have resulted in a lower effective tax rate than the current rate of tax.

R&D tax benefits in respect of 2018 are projected to be around £0.8 million (2017: £0.5 million).

Corporation tax paid in the year totalled £0.1 million (2017: refund £0.2 million), which relates to the UK. Tax in overseas territories is minimal.

Foreign Exchange

The Group has exposure to movements in foreign exchange rates related to both transactional trading and translation of overseas investments.

In the year under review, the principal exposure which arose from trading activities, was to movements in the value of the Euro, the CA Dollar and the US Dollar relative to Sterling. As the Group companies both buy and sell in overseas currencies, particularly the Euro and the US Dollar, there is a degree of natural hedge already in place.

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

In 2018 the net gain recognised in adjusted operating profit in respect of realised and unrealised transactions in Euro, US Dollar, Canadian Dollar and New Zealand Dollar was £0.1 million (2018: immaterial). In 2018 a loss of £0.1 million (2017: immaterial) was recorded below adjusted operating profit in respect of the retranslation of foreign operations.

As at 29 September 2018 there were no forward contracts in place (2017: none).

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

Disposal of Hydratron

On 7 June 2018, the Group completed the disposal of the entire issued share capital of its subsidiary, Hydratron Limited, to Pryme Group Limited, majority owned by Simmons Private Equity LP. This business was reported by the Group as the Engineered Products Division.

The initial consideration was £1.1 million (less costs and retentions), along with potential deferred contingent consideration up to a maximum of £2.25 million, dependent on revenue in the twelve months post completion. As detailed in Note 7 to these Financial Statements a goodwill impairment of £1.7 million was recognised as a charge in the period ended 29 September 2018.

The £2.6 million loss from discontinued operations comprise the operating loss for the period up to disposal, costs to sell and impairment charges associated with the business.

Financing, cash flow and leverage

Operating cash inflow for continuing operations before movements in working capital and reorganisation and redundancy costs was £1.8 million (2017: £2.7 million). After a net working capital inflow of £0.2 million (2017: net investment £1.5 million), cash generated from operations was £2.0 million (2017: £0.9 million). The change in working capital arose from the timing of large contract down payments and phasing of contract revenues in Cylinders and AE Divisions.

Cash outflow in respect of discontinued operations trading up to the point of disposal was £0.4 million.

Cash outflow in respect of exceptional costs was £1.3 million (2017: £0.8 million).

Cash inflows in respect of the disposal of EP was £1.1 million. Capital expenditure on plant and machinery was £1.1 million, of which £0.6 million was in the PMC Division and £0.4 million in the Cylinders Division. Where appropriate new machines are now acquired using dedicated equipment finance and these assets are then self-financing through trading cash inflow, in 2018 £0.5 million of new finance leases were utilised. £1.1 million (2017: £0.9 million) of the net debt relates to finance leases in respect of plant and machinery.

Net debt was £6.7 million (2017: £11.1 million), the decrease driven primarily by the share issue and disposal of the EP Division. The Group's £15 million revolving credit facility ("RCF") was £11.8 million drawn at the year-end.

The increase in adjusted EBITDA and reduction in net debt means the Net Debt to Adjusted EBITDA leverage ratio in respect of the Revolving Credit Facility (RCF) facility reduced to 2.3:1 at 29 September 2017 (2017: 3.1:1). All facility covenants have been complied with throughout the period and the facility has been extended to January 2020.

Earnings per share and dividends

Adjusted earnings per share decreased to a 0.7 pence (2017: 10.0 pence) for continuing operations. Basic loss per share was (13.9) pence (2017: (4.0) loss per share) for continuing operations.

No dividends were paid in the year (2017: nil) and no dividends have been declared in respect of the year ended 29 September 2018 (2017: nil). Distributable reserves in the Parent company decreased 23% to £16.9 million (2017: £22.1 million), driven primarily by the disposal of Hydratron Limited.

Statement of financial position

Goodwill and intangible assets (at cost) decreased by £2.1 million to £35.8 million (2017: £37.9 million). £2.5 million related to the disposal of EP, the balance was investment in new product development and investment in IT systems. Amortisation in the year was £2.6 million (2017: £2.4 million).

Net current assets increased to £9.6 million (2017: £9.1 million). This increase is predominantly due to an increase in cash and the phasing of large contract balances between years.

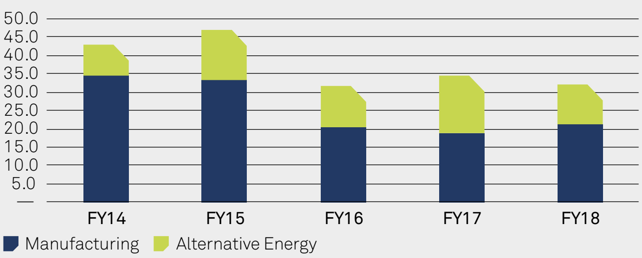
Non-current liabilities decreased to £14.4 million (2017: £18.0 million) after borrowings reduced to £12.6 million (2017: £15.6 million).

Net assets decreased by 1.2% to £33.4 million (2017: £33.8 million) and net asset value per share decreased to 180 pence (2017: 233 pence) due to the dilutive impact of the share placing.

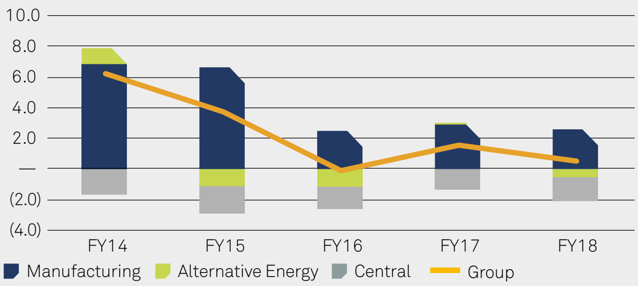
Joanna Allen
Chief Financial Officer
10 December 2018

FINANCIAL DASHBOARD

5yr sales history by sector £m



5yr sales operating profit by sector £m



2018 Cash flow bridge £m

How we measure our success

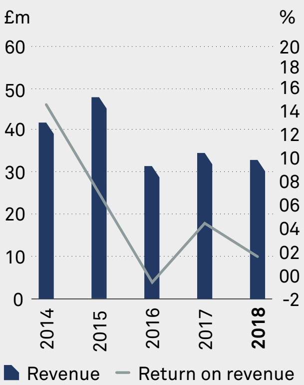
Key Performance Indicators

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

FINANCIAL PERFORMANCE

Growth and return £m

Revenue and return on revenue



Growth is measured in terms of sales revenue.

The efficiency of converting sales into profits is measured in terms of return on revenue. This is calculated as operating profit divided by revenue. The Group has a target of at least 15% return on revenue.

Cash conversion

3.3x

2018	**3.3**
2017	1.0
2016	N/A
2015	2.69
2014	0.55

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

The minimum target cash conversion ratio is 1 although each division has a separate target relevant to its business activity and cycle.

Net debt ratio

2.3x

2018	**2.30**
2017	3.06
2016	3.67
2015	1.51
2014	00

The measured net debt ratio is specific to the Group's Revolving Credit Facility (RCF). It is calculated as net debt attributable to the lender divided by adjusted EBITDA.

The targeted ratio is less than 3:1.

R&D (tax credits as % of revenue)

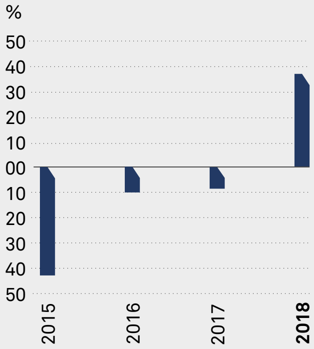
2.5%

2018	**2.50**
2017	1.50

A measure of innovation in the Research & Development (R&D) tax credits as a % of revenue. The Group is targeting achieving credits of at least 5% of revenue.

Manufacturing orderbook development

+38%



Order book trends are measured as an indication of the health of the markets in which the Group operates in and the likely performance of the businesses in the coming year.

SHAREHOLDERS

Adjusted earnings per share

0.7p

2018	**0.7**
2017	10.0
2016	0.1
2015	17.7
2014	32.9

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

ALTERNATIVE PERFORMANCE MEASURES

Health and safety

0

2018	**0**
2017	0
2016	0
2015	1
2014	1

Environmental

0

INCIDENTS

Health and Safety performance is measured against reportable accidents. The Group target is zero.

The measure for environment currently used is the number of reportable environmental incidents and as with health and safety, the target across the Group is zero.

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

The Group plans to adopt a suite of environmental KPIs in the coming year. Further details of what has been achieved this year can be found in the sustainable and responsible business section on pages 16 and 17.

The Group employs a Director of Group Health, Safety, Quality and Environment, who reports directly to the Chief Executive. He is responsible for ensuring that the Group employs best practice that is consistent around the Group and leads the team of health and safety managers employed at each business in the Group.

Managing our risks effectively

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

A reminder of our strategy

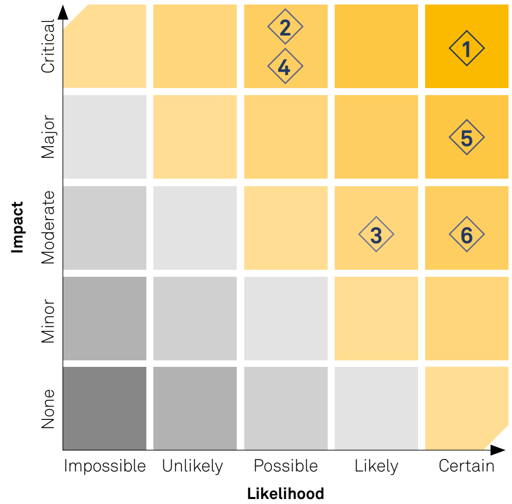
- Consolidate & build the business
- Identify & develop profitable niche opportunities in growth sectors
- Identify & develop profitable acquisition opportunities

Direction of change

- Increase
- No change
- Decrease

Risk management process

Risk heatmap – impact and likelihood



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

Risk and impact	Management strategy	Change
1. Global economic conditions		
The Group is affected by the macro conditions in the oil and gas, defence and renewable energy markets.	• The Group has increased its exposure to other markets such as defence and alternative energy and revenues from these areas have risen. • The businesses in the Group were aligned to the recent adverse conditions in oil and gas but have retained and invested in their core capabilities. • The businesses serve both production and exploration in the oil and gas market, production being less volatile during a market downturn. • Increased sales focus to expand customer base and product lines. • As oil prices have increased, volumes are increasing in the manufacturing divisions and the Group is no longer solely dependent on the AE Division for short-term growth.	
Brexit	• Limited impact on the Group: – VAT and duty particularly related to the import of raw materials – Exchange rate, which has gone in our favour to date • The Group is actively working to obtain Authorised Economic Operator Status ("AEO") as part of its risk mitigation procedures. • The details of how a final deal may look and its impact on the Group will be monitored.	
Foreign currency	• Natural hedges are in place for the currencies the Group is exposed to and all FX trading is done from Group treasury including forward exchange contracts. • As our AE business grows the relationship between the USD and CAD will become more prominent.	
Pricing	• Adverse market conditions in oil and gas can have a considerable impact on pricing. The Group has set minimum gross margins and does not reduce prices to unacceptable levels as experience indicates that the cost of failure of a part outweighs the initial product cost in the medium term. In addition, the PMC Division works in collaboration with customers on a 'cost-out' approach, which is mutually beneficial. • AE contracts are complex with a number of third party variables upon which contract completion are dependent. The Division has robust sales governance and project management procedures and are moving towards a global procurement structure.	
2. Governmental policy and legislation		
Revenue generated from defence contracts and alternative energy contacts are impacted by government policies and legislation.	• Changes that impact our defence contacts have enough visibility for management to implement plans that could mitigate them. • Globally AE revenue is impacted by political initiatives to support the uptake of biogas upgrading. For example, the UK has suffered order slippage with the delay of the UK's Renewable Heat Incentive (RHI) but the business is benefitting in North America and Europe with the increased focus on Renewable Natural Gas targets. In addition the business operates across multiple geographies and jurisdictions adapting its sales strategy accordingly, which mitigates much of the risk from any one in particular.	

Risk and impact	Management strategy	Change
3. Competitors and commercial relationships		
The Group has a number of major competitors in its key markets who offer a wider variety of products and some of which who are also suppliers.	• Requirements from suppliers are split out and a constant review is maintained. • Investment in product expansion and development to maintain leading market position. • Branding and marketing of the PMC Division as one entity increases the number of products available to existing customers and strengthens the Division's standing alongside major competitors. • Increased investment in sales and technical efficiencies.	▶
Customer concentration	• Key account management is a focus of all the businesses across the Group and we have a history of strong customer relationships. • There are a number of individual businesses within the Group with a high dependence on a very small number of customers and much work continues to develop the distribution channels and expand the customer base.	▶
4. Funding		
The Group's growth requires access to funding.	• The Group raised £4.8 million in November 2017 (net of expenses) as a result of investor interest. • The Group extended its banking facilities until the end of January 2020. The facility provides access to £15 million on a revolving credit basis. Robust procedures and reliable and accurate reporting ensures covenants are well managed. • The availability in the insurance market for ancillary bonding and guarantees is increasingly impacted by the macro factors in the UK from high profile corporate failures which particularly impacts the AE Division. Pricing is where possible factored into contract pricing negotiations and contract milestones structured to reduce requirement for third party insurance. • The Group has increased its facilities for third party asset finance during the year to underpin the increasing investment in key equipment, particularly in the PMC Division.	▶
5. Availability of key resources		
Management resource	• A new Chief Executive joined the Group in 2018. • The Group has a small management team with reliance on a number of key Directors, senior management and specialists. A policy restricts the number of Directors permitted to travel together. • Investment in recruitment extends and enhances existing skills within the Group and strengthens succession planning.	▶

A reminder of our strategy

- Consolidate & build the business
- Identify & develop profitable niche opportunities in growth sectors
- Identify & develop profitable acquisition opportunities

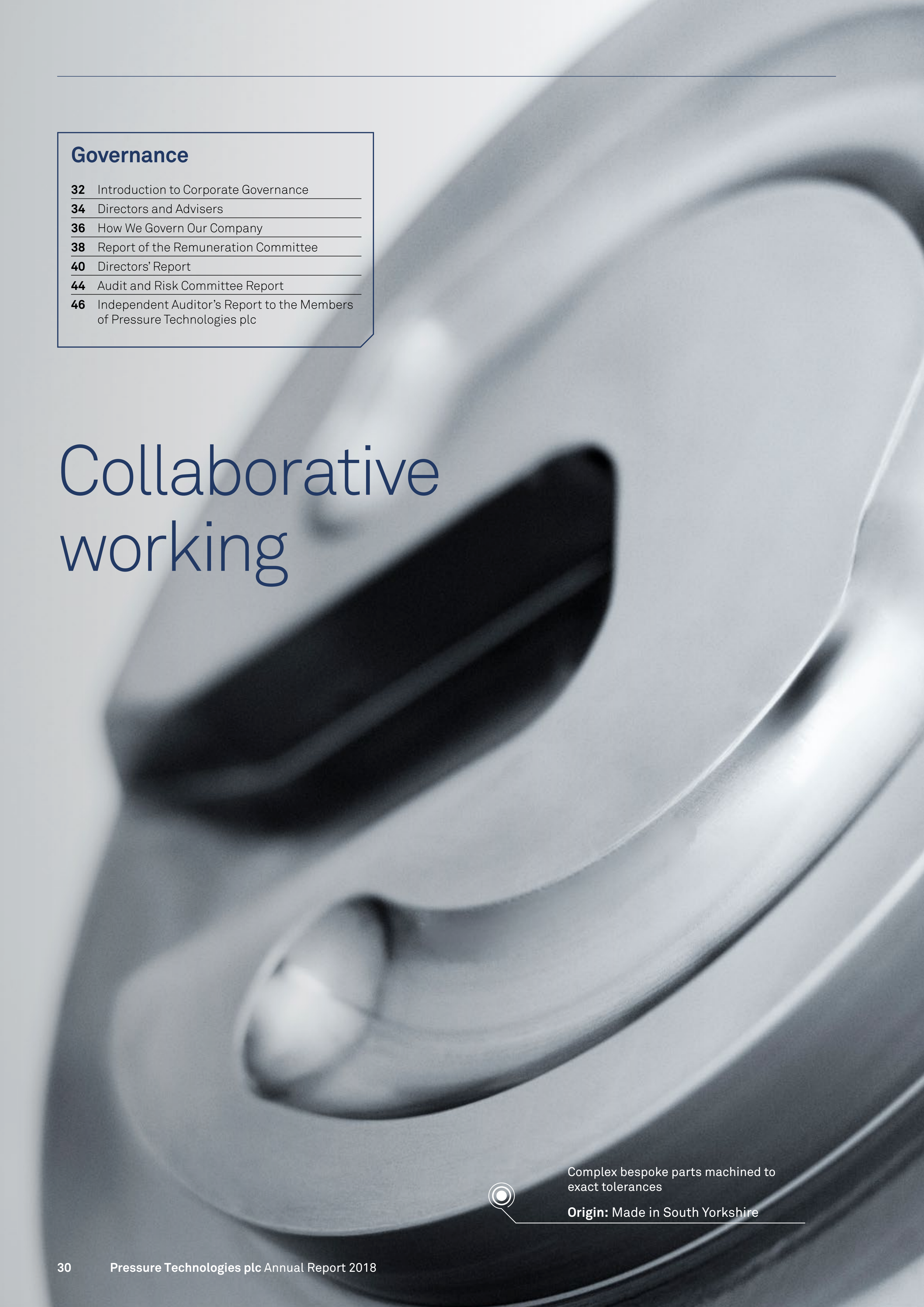
Direction of change

- Increase
- No change
- Decrease

Risk and impact	Management strategy	Change
5. Availability of key resources continued		
Key employee knowledge and skill base.	• The high added value products and services provided by all the businesses are reliant on the skills and knowledge of our employees and there is a programme of training around the Group to ensure the development and retention of these key skills and employees. The training programme includes apprenticeships, industry qualifications and through to postgraduate degrees. • The Group is seen as a good employer, with attractive employment terms, SAYE schemes and career and skill development opportunities. • In 2018 the Group ran its first Employee Engagement Survey, the outcome was positive and provides a good benchmark for the ongoing focus on employee engagement and development.	No change
Major capital assets	• Certain of the Group's businesses rely on large or critical pieces of equipment. These key assets are subject to ongoing maintenance programmes and strategic spares are held. • The risk is further mitigated in the Precision Machined Components Division by the number of manufacturing sites. • Investment in capital assets is constantly reviewed.	Increase
6. Technology and Innovation		
Product development	• Investment in product development and services is key to the continued growth of the Group.	No change
Disruptive technologies	• The monitoring of evolving technologies that may disrupt the market is ongoing, looking to both capitalise on the opportunities they may provide as well offsetting any potential.	No change
Cyber Security	• Cyber security is a growing risk for all businesses and the Group recently appointed a Group Head of IT who will Chair the Cyber Security Committee. • The Cyber Security Committee comprises members of the Board, the senior management team and third party IT service providers. • A full assessment of cyber security arrangements has been carried out at each of the Group's businesses and actions to mitigate risk are ongoing. • The Group recently invested in collaborative working systems with cloud storage where there are increased security advantages for data protection and a programme of investment in ERP systems is underway.	Increase

Governance

Collaborative working



Complex bespoke parts machined to exact tolerances

Origin: Made in South Yorkshire

Oil and gas

Unrivalled technical solutions

The PMC Division consists of four highly experienced and specialist precision engineering companies. The expertise of the Division's technical and sales team allows us to work in collaboration with customers to make their products more cost efficient through a 'cost-out' approach.

The prolonged downturn in the oil and gas market has created a number of new businesses offering technical solutions to reduce the cost of oil production. The Division is winning new customers by working in collaboration with some of these new companies to create design and material solutions for their proprietary technology. Manufacturing products that meet their customers' end use specification at an economically viable price.

The team recently offered a solution to a customer, adjusting their design to offer economic manufacturing costs without compromising on integrity.

Link to strategy

Identify & develop profitable niche opportunities in growth sectors

Read more about our strategy **on page 09**

The solution removed complexity from the manufacturing process, including the need to weld and use materials that were more compatible with their customers' end use specification. The overall benefits were:

- Reduced manufacturing lead time
- Reduced overall cost
- Risk from weld defects removed
- Created better interchangeability to reduce the down time during field service
- Greater ability to scale up production

No other competitor offered this solution.

> The Annual Report is reviewed against FTSE 350 best practice and best practice is adopted, where relevant and practical.

The Board fully supports the underlying principles of Corporate Governance contained in the Corporate Governance Code ('The Code') and adopted the 2013 Quoted Companies Alliance Code for Small and Mid-sized Quoted Companies ('the QCA Code'). In the 2016 and 2017 Annual Reports this Code is reported against.

A revised QCA Code was released in April 2018. The Board has reviewed the revised Code and approved its adoption. The responsibility for ensuring compliance and accurate reporting of Corporate Governance resides with the Audit and Risk Committee ("the Committee"). Corporate Governance will be continually monitored and reviewed formally by the Committee annually, following publication of the report and accounts each year.

Compliance with each of the ten principles set out in the revised QCA Code is summarised below:

1. Establish a strategy and business model which promote long-term value for shareholders

Pressure Technologies has an established strategy for growth, which it reports on annually to its shareholders in the Company's Annual Report, indicating how it has delivered on the strategy and how it has managed strategic risks. The Board reviews the strategy at least once a year to ensure that it remains relevant and sustainable.

The Company's business model is clearly set out on page 8 of this report.

2. Seek to understand and meet shareholder needs and expectations

The Company actively encourages good communication with all shareholders from the largest to the smallest. Presentations to institutional and mid-sized investors (typically by the Chief Executive and Chief Financial Officer), are offered at the full-year and half-year and all investor presentations are posted to the Group's website. Feedback is obtained following all investor meetings and this feedback is reviewed by the Board. The Annual General Meeting, which is the platform for private investors to directly question the Board, is held at Group company offices where presentations are given by the Chairman, Chief Executive and members of the senior management team. In the past, this has been a well-attended event with an open Q&A session and an opportunity for investors to engage with Board members following the formal meeting. A tour of the site is offered for anyone who wishes to see the business in action. From time to time, the Executives will host or attend events for new and existing private investors. The Company has always aimed to accommodate investors who wish to visit its manufacturing sites.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board fully recognises that long-term growth and profitability are enhanced when businesses behave in a sustainable and responsible manner, with respect for the environment and all stakeholders.

The Group's stakeholders include employees, customers, investors, suppliers, advisors and the communities in which the Group's businesses operate.

The Group's approach to sustainable and responsible business is set out on the website and on pages 16 and 17 of this report.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Committee conducts regular reviews of business risk and oversees the approach to risk management. In 2017, the Committee specifically reviewed how risk management was conducted throughout the Group's subsidiary companies.

In the 2017 Annual Report the Committee reported that it had evaluated the effectiveness of internal controls and the risk management system. As the Company evolves, the Committee will review and advise on the design and operation of internal controls.

Acknowledging the increasing threat to cyber security, the Group has recruited new skills and resources to ensure effective risk management and protection in this critically important area.

The risk reporting model, set out on pages 26 to 29 of this report, includes a risk heat map and links the key risks to the Group's strategy.

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

The Board comprises a Non-executive Chairman, Alan Wilson, who has served the business for five years, a senior independent Non-executive Director, Neil MacDonald, who has also served the business for five years, an independent Non-executive Director, Brian Newman who has served the business for three years. There are two Executive Directors, Chris Walters, Chief Executive who joined the Group in September 2018 and Joanna Allen, Chief Financial Officer, who joined in July 2015.

Board meeting and Committee meeting frequency and attendance is set out on page 37 of this report and the Terms of Reference for each Committee can be found on the website.

The Group uses specialist software for its Board reports which facilitates the quality and timeliness of getting information to the Board.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board comprises an effective balance of knowledge, skills, experience and independence. The Board represents relevant industry experience from engineering, operational management, finance and investment. Every member of the Board is there for the benefit of Pressure Technologies plc and each recognises his or her responsibility to the Company's stakeholders. The Board regularly reviews its composition to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group. The approach to maintaining relevance and diversity on the Board as well as assigning internal advisory responsibilities, such as those of the Company Secretary and Senior Independent Director, are continuously reviewed by the Committee.

On the Group's website and on pages 34 to 35 of this report, the skills that each member brings to the Board, are clearly set out.

The Chief Executive, in conjunction with the Executive team, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and various external advisers on a number of corporate governance matters.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The corporate governance statement on page 29 of the 2017 Annual Report notes that details of the performance evaluation procedures for each Director, the whole Board, or each Committee, are not currently disclosed.

A Board evaluation was carried out in January 2014. The current Board evaluation process will be reviewed, updated and implemented for the next evaluation in January 2019.

The updated evaluation process and schedule will be published through the Group's website.

8. Promote a corporate culture that is based on ethical values and behaviours

Pressure Technologies plc is proud of its reputation for being honest and fair in the way it does business. This reputation has been established over many years through leadership and continuous reinforcement of ethical principles by managers and all employees. These principles apply to how the Group works with its customers, suppliers, governments, employees, shareholders, competitors and the local communities in which it operates and are set out on the website.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The roles of each of the Board Committees are set out in their Terms of Reference, which can be found on the website along with Matters Reserved for the Board.

The roles of individual Directors are not formally described, but this will be reviewed and disclosed if relevant.

The responsibility for ensuring governance structures are continually reviewed and relevant to the business and its stakeholders, falls to the Committee.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group's Governance structure is set out on page 37 of this report. In addition to a Directors' Report, reports from the Remuneration Committee and the Audit and Risk Committee are included in the Annual Report.

Shareholders are encouraged to attend the Annual General Meeting (AGM) through the offering of presentations, factory tours and access to the Board. The AGM is well attended and has an open Q&A session.

The Chief Executive and the Chief Financial Officer meet regularly with the Group's larger institutional investors and feedback is always obtained. Pressure Technologies has a reputation amongst its investors for its fair and frank disclosure on the Company's performance. All investor presentations are available on the Group's website.

The voting statistics from AGMs are disclosed in a Regulatory News release on the day of the AGM. If relevant, details of any actions to be taken as a result of resolutions for which votes against had been received from at least 20 percent of independent shareholders, would also be disclosed.

The Group's website is regularly updated and historic documents dating back to the Company's listing in 2007, are available.

The Annual Report is reviewed against FTSE 350 best practice and best practice is adopted, where relevant and practical.

From time to time the Executives attend private investor events and welcome investors to the manufacturing facilities.

Alan Wilson
Chairman
10 December 2018

Our leadership team

Alan Wilson

Independent Non-executive Chairman

Appointed
February 2013

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

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

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

Chris Walters

Chief Executive

Appointed
September 2018

Relevant strengths
- Business regeneration and growth
- Engineering expertise and credentials
- Energy and marine sector knowledge and network
- Multi-division, multi-region operations management

Relevant experience
- Master's degree-qualified Chartered Engineer with over 25 years of experience. MBA from Imperial College, London.
- Fellow of the Royal Institution of Naval Architects and Fellow of the Institution of Marine Engineers, Science & Technology.
- Background in engineering design, construction and through-life integrity management for marine and oil & gas operational assets.
- Senior executive career with Lloyd's Register Group, including roles in the UK and overseas and the management of the Group's global marine and oil & gas certification businesses.
- Chief Executive and co-owner of VCT-backed oil & gas technology SME, TSC Inspection Systems.

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

Joanna Allen

Chief Financial Officer

Appointed
July 2015

Relevant strengths
- IFRS financial reporting for AIM companies
- M&A, in particular financial due diligence
- Management information and data analytics
- Audit

Relevant experience
- AIM company board and committees, in particular Audit and Risk Committee function and effectiveness.
- Audit and Transaction Services Director with PwC, focused on manufacturing and engineering clients.
- Shortlisted in the 2018 and 2017 Northern Finance Director Awards and the 2018 Yorkshire Finance Leader Awards.
- Qualified Chartered Accountant with the ICAEW.
- Degree in Business Studies from the University of Sheffield.

External commitments
- Vice-chair of Governors at Hunter's Bar Infant School in Sheffield.
- Freeman of the Company of Cutlers in Hallamshire.

COMPANY INFORMATION

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

Registered number
06135104

Website
pressuretechnologies.com

Company Secretary
Joanna Allen

Investor relations
Keeley Clarke

Auditor
Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds, LS1 4BN

Solicitors
Keebles LLP
Commercial House
Commercial Street
Sheffield, S1 2AT

Bankers
Lloyds Bank
14 Church Street
Sheffield, S1 1HP

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

Brian Newman A N R

Independent Non-executive

Appointed
September 2015

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

Relevant experience
- A Chartered Engineer with a degree in Engineering from Cambridge University & MBA from Penn State University, USA.
- Former Divisional Director at two FTSE 100 companies, latterly at Melrose plc as EMEA Managing Director at its subsidiary, Bridon International Group.
- Former Divisional Managing Director at international engineering group GKN plc, with responsibility for its global Wheels and Axles Divisions.
- Over 40 years' experience in engineering having also previously served on the boards of two listed companies.

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

Neil MacDonald A N R

Senior Independent Non-executive

Appointed
June 2013

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

Relevant experience
- A Chartered Accountant with 25 years of experience in the oil and gas and engineering industries.
- Former Group Finance Director of AES Engineering Limited the international mechanical seals manufacturer; and previously Group Finance Director of the international aerospace company, Firth Rixson.
- Numerous non-executive roles in the public and private sector.

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

* John Hayward, was Chief Executive from 2007 until he stepped down on 1 October 2018.

Registrars
Neville Registrars
Neville House
Steelpark Road
Halesowen, B62 8HD

COMMITTEE KEY

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

BOARD OF DIRECTORS PURPOSE STATEMENT

Establish and maintain vision, mission and values

- Determine and maintain the Company's vision and mission to guide and set the pace for its current operations
- Determine and maintain the values to be promoted throughout the Company
- Determine, maintain and review Company goals
- Determine and maintain Company policies

Decide strategy and structure

- Review and evaluate present and future opportunities, threats, risks in the external environment; current and future strengths, weaknesses and risks relating to the Company
- Determine strategic options, select those to be pursued and decide the means to implement and support them
- Determine the business strategies and plans that underpin the corporate strategy
- Ensure that the Company's organisational structure and capability are appropriate for implementing the chosen strategies

Delegate to management

- Delegate authority to management and evaluate the implementation of policies, strategies and business plans
- Determine the monitoring criteria to be used by the Board
- Ensure the internal controls are effective
- Communicate with senior management
- Account to shareholders and be responsible to stakeholders

Ensure that communications both to and from shareholders and relevant stakeholders are effective

- Understand and take into account the interests of shareholders and relevant stakeholders
- Monitor relations with shareholders and relevant stakeholders by gathering and evaluating appropriate information
- Promote the goodwill and support of shareholders and relevant stakeholders

SUBCOMMITTEES

In addition to the main Board committees, detailed on the opposite page, the Group also has subcommittees as set out below.

Health, Safety and Environment

A quarterly strategy meeting is held with the Director of Group Health, Safety, Quality and Environment, his team of Health and Safety Managers, the Chief Executive, Brian Newman one of our Non-executive Directors and the HR Director. Additional operational meetings are held monthly, which the senior executive team do not attend. The purpose of the Committee is to embed a culture of safety and wellbeing from the top down and ensure that best practice is always employed at each Group company.

Cyber Security

A Cyber Security Committee was established two years ago to address this growing risk faced by all businesses. It aims to meet at least four times a year and is headed by our recently appointed Group Head of IT. Its members include the Chief Executive, the CFO, key senior management, and the HR Director. Our third party IT providers also attend these meetings. The purpose of the meeting is to ensure that the best security measures are continually employed by the Group. This sub-committee reports to the Audit and Risk Committee.

BOARD HIERARCHY

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

BOARD

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

Alan Wilson	12/12
Brian Newman	12/12
Neil MacDonald	12/12
John Hayward	10/12
Chris Walters	01/01
Joanna Allen	12/12

A AUDIT AND RISK COMMITTEE

Chaired by Neil MacDonald

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

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

N NOMINATION COMMITTEE

Chaired by Alan Wilson

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

The Committee is also responsible for succession planning.

R REMUNERATION COMMITTEE

Chaired by Alan Wilson

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

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

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

Policy on remuneration of Executive Directors

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

a) Basic salary and benefits

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

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

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

b) Annual performance related cash bonus scheme

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

c) Long Term Incentive Plan

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

2014-2017 schemes

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.

2018 – onwards schemes

On 3 September 2018 the Group approved a new Long Term Incentive Plan. Under the terms of this plan, each participant will have the right to receive new ordinary shares of 5 pence each in the Company equal to a fixed percentage of the value created for shareholders above a hurdle over the period from the date of grant. Awards are subject to certain performance conditions, principally delivering growth in the value of the Company above a share price hurdle which is adjusted for value returned to shareholders over the Performance Period. In this way, the Board can incentivise senior employees in a manner that is closely aligned with the interests of the Company's shareholders.

The awards, which can be acquired for nil consideration, are subject to an individual maximum value. 50% of awards will vest after the expiry of the Performance Period, 30% on the first anniversary of the expiry of the Performance Period and 20% on the second anniversary of the expiry of the Performance Period in accordance with the rules of the LTIP. The participants will have no right to any payment of cash, rather they will become shareholders in the Company. In this way, the interests of the participants will be aligned with those of all other shareholders.

On 4 September 2018 awards were granted to two executive directors and three key management personnel. The fair value of these wards at time of grant, as estimated by the group's external valuation specialists, was £239,000.

d) Service Contracts

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

Directors' Remuneration

Particulars of Directors' remuneration are as follows:

	Salary and fees £'000	Benefits £'000	Pension £'000	Exceptional emoluments £'000	Total 2018 £'000	Total 2017 £'000	Employers' national insurance 2018 £'000	Employers' national insurance 2017 £'000
Non-Executive:								
Alan Wilson	**63**	**—**	**—**	**—**	**63**	64	**5**	5
Philip Cammerman	**20**	**—**	**—**	**—**	**20**	41	**3**	4
Brian Newman	**46**	**—**	**—**	**—**	**46**	50	**4**	5
Neil MacDonald	**40**	**—**	**—**	**—**	**40**	40	**4**	4
Executive:								
John Hayward	**205**	**2**	**22**	**306**	**535**	229	**57**	27
Joanna Allen	**177**	**1**	**21**	**—**	**199**	174	**23**	20
Christopher Walters	**17**	**—**	**2**	**—**	**19**	—	**2**	—
Total remuneration	**568**	**3**	**45**	**306**	**922**	598	**98**	65

Part of the remuneration of Alan Wilson and Brian Newman 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 (2017: 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'.

No Directors received dividends during the year (2017: nil).

On 21 July 2018, John Hayward informed the Board of his decision to retire as Chief Executive Officer. John subsequently stepped down from the Board, with effect from 1 October 2018. Exceptional emoluments include payment in lieu of contractual notice (£216,000) and the balance settlement costs.

Directors' Options

The Directors' interests in share options are as follows:

	Scheme	Date granted	Number	Option price
Joanna Allen	Save-as-you-earn Scheme	30 July 2015	4,466	161.20p
Joanna Allen	Long Term Incentive Plan	21 December 2015	71,366	196.17p
Joanna Allen	Save-as-you-earn Scheme	27 July 2018	18,442	97.6p
Chris Walters	Long Term Incentive Plan	3 September 2018	*	Nil*
Joanna Allen	Long Term Incentive Plan	3 September 2018	**	Nil**

* Chris Walters will receive such number of shares as equals 3% of the growth in value above a share price hurdle of £2.50 (adjusted for value returned to shareholders, i.e., any dividend, over the performance period).

** Joanna Allen will receive such number of shares as equals 2% of the growth in value above a share price hurdle of £2.50 (adjusted for value returned to shareholders, i.e., any dividend, over the performance period).

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

	John Hayward No.	Joanna Allen No.
Outstanding at the beginning of the period	167,219	75,832
Granted during the period	—	18,442
Lapsed during the period	(167,219)	—
Outstanding at the end of the period	—	94,274

No movements for the LTIP granted in the period are included in the table above as the scheme does not define a set number of options.

On behalf of the Board

Alan Wilson
Chairman, Remuneration Committee
10 December 2018

The Directors present their report and the audited Financial Statements for the period from 1 October 2017 to 29 September 2018.

Principal activities

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

Cylinders

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

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

Precision Machined Components

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

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

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

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

Engineered Products

Hydratron Limited whose principal activity is the design, manufacture and sale of a range of air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs. On 7 June 2018, the Group completed the disposal of the entire issued share capital of Hydratron Limited.

Alternative Energy

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

Results and dividends

The consolidated statement of comprehensive income is set out on page 54. The profit on ordinary activities before taxation of the Group for the period ended 29 September 2018 amounted to £0.5 million (2017: £1.6 million).

No interim dividend was paid in the period (2017: nil). The Directors do not recommend the payment of a final dividend (2017: nil).

Environment

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

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

The Group had no notifiable environmental incidents in 2018 (2017: nil).

Substantial shareholdings

As at 12 November 2018, the following held or were beneficially interested in 3% or more of the Company's issued ordinary share capital:

	Number of shares	Percentage of issued share capital owned
Artemis Investment Management LLP	3,598,648	19.35%
City Financial	1,694,754	9.11%
Canaccord Genuity Group Inc	1,492,228	8.02%
Schroder Investment Management	1,232,304	6.63%
James Sharp	1,031,541	5.55%
John Hayward	1,007,500	5.42%
Liontrust Asset Management	909,944	4.89%
Hargreaves Lansdown	718,531	3.86%
A J Bell Securities	641,561	3.45%
Unicorn Asset Management	567,167	3.05%

Directors and their interests

The present Directors of the Company are set out on pages 34 to 35.

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

Ordinary shares	**29 September 2018 No.**	30 September 2017 No.
John Hayward (resigned 1 October 2018)	**1,007,500**	1,002,221
Philip Cammerman (resigned 31 March 2018)	**—**	30,000
Neil MacDonald	**45,200**	5,200
Alan Wilson	**—**	—
Joanna Allen	**5,000**	—
Brian Newman	**10,000**	—
Christopher Walters (appointed 3 September 2018)	**—**	—

Share options

Details of the share options granted in the period are disclosed in note 27 to the consolidated financial statements.

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

Financial instruments

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

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

Information about the use of financial instruments by the Company and its subsidiaries is given in note 24 to the Consolidated Financial Statements.

Directors' indemnities

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

Employee involvement

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

Disabled persons

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

Going concern

The Financial Statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. The principal risks and uncertainties are set out from page 26. The Financial Reporting council issued "Guidance on the Going Concern based of Accounting and Reporting on solvency and Liquidity risks" in 2016. The Directors have considered this when preparing these Financial Statements.

Management has produced forecasts for all business units which have been reviewed by the Directors. These demonstrate that the Group is forecast to generate profits and cash in 2018/2019 and beyond and that the Group has sufficient cash reserves and bank facilities to enable it to meet its obligations as they fall due for a period of at least 12 months from when these Financial Statements have been signed.

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

Statement of Directors' responsibilities for the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group Financial Statements for each financial year. Under that law the Directors have to prepare the Group's Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Directors have elected to prepare the Parent Company Financial Statements in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101) (UK Accounting standards). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and Parent Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- for the Parent Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors confirm that:

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

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

Auditor

Grant Thornton UK LLP 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 and on pages 32 to 37.

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

Chris Walters
Chief Executive
10 December 2018

Members & meetings

The Group's Audit and Risk Committee ("the Committee") is chaired by Neil MacDonald. Its members and their attendance at meetings during the year are highlighted on page 37. The Committee meets not less than four times a year in a formal capacity and forms sub-groups to address specific matters as necessary outside of these meetings.

Role of the Committee

The Committee's primary responsibilities are to:

- Oversee the relationship with the external auditors and make recommendations to the Board on the appointment and remuneration of the auditors
- Review the conduct and control of the annual audit and the operation of the internal controls and advise the Board on principal risks and uncertainties
- Review the adoption of and compliance with the relevant Corporate Governance Code
- Review annually the Company's anti-bribery and corruption policy
- Review the Company's procedures for handling reports by 'whistleblowers'

Terms of Reference

The Board fully supports the underlying principles of Corporate Governance contained in the Corporate Governance Code ("The Code") and adopted the 2013 Quoted Companies Alliance Code for Small and Mid-sized Quoted Companies ("the QCA Code"). In the 2016 and 2017 Annual Reports this Code is reported against.

A revised QCA Code was released in April 2018. The Board has reviewed the revised Code and approved its adoption. The responsibility for ensuring compliance and accurate reporting of Corporate Governance resides with the Audit and Risk Committee ("the Committee"). Corporate Governance will be continually monitored and reviewed formally by the Committee annually, following publication of the report and accounts each year.

Full details of the extent and nature of compliance can be found on the Company's website along with the terms of reference for the Committee.

External audit

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

The Committee will ensure that at least once every ten years the audit services contract is put out to tender to enable comparison of the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms.

Accordingly, in February 2018 the Group issued an invitation to tender to six firms for audit and tax services. Each firm was offered a meeting with the audit tender project team and on 22 March 2018 the Committee received five formal written responses to the invitation to tender. Three firms were shortlisted by the Committee and invited to a presentation stage. Following a rigorous process scored on a predetermined matrix, on 27 April 2018 the Committee recommended to the Board that Grant Thornton UK LLP be retained as auditors which was ratified.

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

The Committee met with Grant Thornton twice during the year to approve the annual audit plan and after the conclusion of the audit when the audit findings were presented.

In order to ensure the independence of the external auditors, the Committee monitors the non-audit services provided by them to the Group.

Market Abuse Regulation

The Committee periodically reviews the impact of the Market Abuse Regulation including its treatment of inside information; the relationship with our stockbrokers and analysts; the obligations of Persons Discharging Managerial Responsibilities; and the Company's share dealing code. Appropriate measures are taken to ensure compliance with the implementation of the EU Market Abuse Regulation which came into effect from 3 July 2016.

Significant matters addressed during the year

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

How the Committee has spent its time

Internal controls

Details of the key risks which the Group faces, the key controls in place to control those risks and the system of risk management adopted by the Group are set out on pages 26 to 29. The Committee has evaluated the effectiveness of the internal controls and the risk management system operated. The evaluation covered all controls including financial, operational, risk management and compliance.

In prior years the Alternative Energy Division ('AE') has been an area of particular focus due to the nature of the business being different to the other manufacturing divisions and following the global restructuring. It is pleasing to note that the control environment has improved through the year, supported by implementation of a divisional Enterprise Resource Planning ("ERP") system.

Post-acquisition integration continues to be considered, particularly where the acquired businesses are SMEs and unfamiliar with some aspects of corporate governance.

In the coming year the Committee will be focused on the planned investment in ERP systems in both the PMC and CSC Divisions, which underpin the continuous improvement in the internal control environment.

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

Pressure Technologies plc does not have a specific internal audit department. The need for an internal audit department is considered from time to time but currently it is regarded that the costs would outweigh the benefits. If required, external specialists are brought in to perform specific reviews of areas considered a risk. During the year consultants have been engaged for specific tax matters.

Contract accounting judgements

As explained more fully in our accounting policies on page 60, the Cylinder and Alternative Energy Divisions derive a significant proportion of their turnover from contracts that span one or more years and are accounted for under the relevant accounting standards.

Contract costs and revenues may be affected by a number of uncertainties that are dependent on the outcome of future events and therefore estimates may need to be revised as events unfold and uncertainties are resolved.

During the year, the Committee examined the judgements and methodologies applied to key judgements and were in agreement with the position adopted.

Impairment and going concern

The Committee reviewed and considered the papers relating to the impairment and going concern disclosures in the Annual Report and Financial Statements.

Contingent liabilities

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

Other

The Committee reviewed the Group's exposure under the Criminal Finances Act which became law in April 2017 with new offences becoming effective 30 September 2017.

The Group has operated a 'whistleblowing' policy and arrangement for many years so that all employees of the Group are able, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors and any breaches of the Company's Anti-Bribery and Corruption policy. No matters have been reported to the Chair of the ARC, who is the nominated contact for the third party provider, in the year.

There were no instances of actual or suspected fraud that have been reported to the Committee during the year, however, one instance of suspected fraud was reported to the Committee post year end.

Approved by the Board and signed on its behalf by

Neil MacDonald
Chairman of the Audit and Risk Committee
10 December 2018

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Pressure Technologies plc (the 'parent company') and its subsidiaries (the 'group') for the 52 week period ended 29 September 2018 which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Company balance sheet, the Company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 29 September 2018 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Conclusions relating to going concern

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

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

Overview of our audit approach

- Overall materiality: £169,000, which represents 0.5% of the group's revenue.
- The key audit matters were identified as revenue recognition, the contingent liability in relation to the Chesterfield Special Cylinders Limited ("CSC") incident, the impairment of goodwill and other non-current assets and the impairment of investments.
- We have assessed the significance of the components within the group and performed a combination of comprehensive audits, targeted audit procedures and analytical procedures based on that assessment.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue recognition There is a risk that revenue may be misstated due to the improper recognition of revenue. In respect of revenue recognised for sale of goods, there is a risk that revenue is recognised before the risk and rewards of ownership have transferred to the customer. In respect of contractual arrangement with the customers, there is a risk that revenue is misstated as management judgement is required to estimate the stage of completion and the projected outcome of each contract. Therefore, we identified revenue recognition as a significant risk, and as one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • walkthroughs of the systems and controls in place around the recording of revenue; • evaluation of the revenue recognition policies for compliance with IAS 18 'Revenue' and IAS 11 'Construction Contracts' as applicable, and consistency with the prior period; • testing a sample of revenue transactions in respect of sale of goods and agreeing them to supporting documentation to vouch that income has been appropriately recognised in accordance with the Group's revenue recognition policies; • for a sample of contracts, testing the percentage of completion calculations by inspecting the contract checklist documents and challenging the operations team as to the stage of completion, to determine if the revenue was recognised in accordance with the accounting policy; and • comparison of the revenue from the sale of goods and from contractual arrangements with their respective revenues in the prior year and obtaining explanations for significant or unusual variances. The group's accounting policy on revenue recognition including the key sources of estimation uncertainty are shown in the Accounting policies section on page 60 and related disclosures are included in note 1. The Audit Committee identified revenue recognition as a significant matter within the 'Contract accounting judgments' section of its report on page 45 where it also describes the action that it has taken to address this matter. **Key observations** Based on our audit work, we have found that revenues were accounted for in line with the Group's accounting policies, IAS 18 'Revenues' and IAS 11 'Construction Contracts'.
Contingent liability in relation to the CSC incident The Health and Safety Executive ("HSE") continue to investigate the fatal accident that occurred in June 2015. The group are cooperating with the HSE and have performed their own inquiries to investigate the root cause of the accident. Until the investigation is complete, the Group are unable to assess the nature of any charges that may be brought. Management have concluded that it is not possible to determine with any degree of certainty if any financial penalties may be levied on the group. No provision has been recorded within the financial statements however, disclosure has been made in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. Therefore, we identified the disclosures in relation to this incident as a significant risk, and as one of the most significant assessed risks of material misstatement (whether due to fraud or error).	Our audit work included, but was not restricted to: • reading the correspondence between HSE and the group; • making enquiries of management and the group's legal advisor to understand and assess their assumptions in relation to the investigation; and • assessing the adequacy of the disclosure included within the financial statements. The group's accounting policy on provisions is shown in the Accounting policies section on page 65 and related disclosures are included in note 31. The Audit Committee identified this matter as a significant matter in the 'Contingent liabilities' section of its report on page 45 where it also describes the action that it has taken to address this matter. **Key observations** Based on our audit work, no audit findings were noted. We consider that the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' have been consistently applied, and that the disclosures made in note 31 to the financial statements appropriately describe this matter.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Impairment of goodwill and other non-current assets The carrying value of goodwill and other non-current assets at 29 September 2018 was £37.8 million. There is a risk that the carrying value of these assets exceeds their recoverable amount. Management performs an impairment review on an annual basis using discounted cash flows on a value in use basis. When relevant, management considers estimated fair value less costs to sell, if this is higher. The key judgements in assessing goodwill and other non-current assets for impairment include: • The growth and discount rates applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes; • The estimated fair value of the asset; and The costs to sell the asset. We therefore identified impairment of goodwill and other non-current assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • validating the integrity of the impairment models through testing of the mechanical accuracy; • understanding the underlying process used by management to determine the discount rates, and working with in house valuation specialists to assess them; • assessing the appropriateness of any changes to assumptions since the prior period; • challenging the cash flow forecasts with reference to historical forecasts, actual performance and independent evidence to support any significant expected future changes to the business; • obtaining third party evidence to support the estimated fair value less costs to sell of divisions where this has been used to support the valuation of goodwill and other non-current assets within them; and • assessing the adequacy of the disclosure included within the financial statements for compliance with IAS 36 'Impairment of assets'. The group's accounting policy on impairment of goodwill and other non-current assets is shown the Accounting policies section on page 62 and related disclosures are included in note 14. The Audit Committee identified impairment of goodwill and other non-current assets as a significant matter in the 'Impairment and going concern' section of its report on page 45, where it also describes the action that it has taken to consider this matter. **Key observations** Discounted cash flow forecasts indicate that there is sufficient headroom for all divisions other than the Alternative Energy division. As a result of the strategic review undertaken by the Board, and the subsequently announced intention to divest of the Alternative Energy division, the directors are satisfied that they have established that the Alternative Energy division has a recoverable amount that exceeds the carrying amount of its net assets, and therefore that no provision against impairment is necessary. Based on our audit work, we consider that the requirements of IAS 36 have been consistently applied, and that the disclosures made in note 14 to the financial statements appropriately describes this matter.

Key Audit Matter – Parent	How the matter was addressed in the audit – Parent
Impairment of investments and other non-current assets The carrying value of investments in subsidiaries and other non-current assets was £41.6 million at 29 September 2018. There is a risk that the carrying value of these assets exceeds their recoverable amount. Management performs an impairment review on an annual basis using discounted cash flows on a value in use basis, and also considers recoverable amount less costs to sell, if this is higher. Management's impairment review is performed using discounted cash flows on a value in use basis, and also considers the fair value less costs to sell, if this is higher. The key judgements in assessing the valuation of investments include: • The growth and discount rates applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes; • The estimated fair value of the asset; and • The costs to sell the asset. We therefore identified impairment of investments and other non-current assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • validating the integrity of the impairment models through testing of the mechanical accuracy; • understanding the underlying process used by management to determine the discount rates, and working with in house valuation specialists to assess them; • assessing the appropriateness of any changes to assumptions since the prior period; • challenging the cash flow forecasts with reference to historical forecasts, actual performance and independent evidence to support any significant expected future changes to the business; • obtaining third party evidence to support the recoverable amount of divisions where this has been used to support the valuation of the goodwill and other non-current assets; and • assessing the adequacy of the disclosure include within the financial statements for compliance with IAS 36 'Impairment of assets'. The company's accounting policy on valuation of investments is shown in the Accounting policies section to the financial statements on page 91 and related disclosures are included in note 4. **Key observations** Discounted cash flow forecasts indicate that there is sufficient headroom for all non-current assets. Based on our audit work, we have concluded that the valuation of non-current assets is accounted for in line with the parent company's accounting policies and IAS 36 'Impairment of assets'.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£169,000 which is 0.5% of revenue. This benchmark is considered the most appropriate because revenue is a key performance indicator of the group and is a stable base. Materiality for the current year is consistent with the level that we determined for the period ended 30 September 2017.	Materiality is based on 0.5% of total assets, capped to 75% of group materiality, which is £127,000. This benchmark is considered the most appropriate as the parent company is primarily a holding company and its major activities relate to its investments in subsidiary undertakings. Materiality for the current year is consistent with the level that we determined for the period ended 30 September 2017.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the audit committee	£8,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Documenting the processes and controls covering all of the significant risks.
- The group has components across Europe, North America and New Zealand. We have assessed the risk of material misstatement for each of these components to conclude which components are in scope for a comprehensive audit approach.
- A comprehensive audit approach includes a combination of transactional testing and analytical procedures.
- The components subject to a comprehensive audit approach cover 90% of the consolidated revenues.
- The audit was performed such that we had appropriate oversight of the component auditor. This included briefing the component audit team, directing the risk assessment and fraud discussions and evaluating and reviewing the work performed by the component auditor for the purpose of the group audit.
- For those components where a comprehensive audit was not performed, we have carried out a combination of targeted audit procedures and analytical procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Mark Overfield BSC FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
10 December 2018

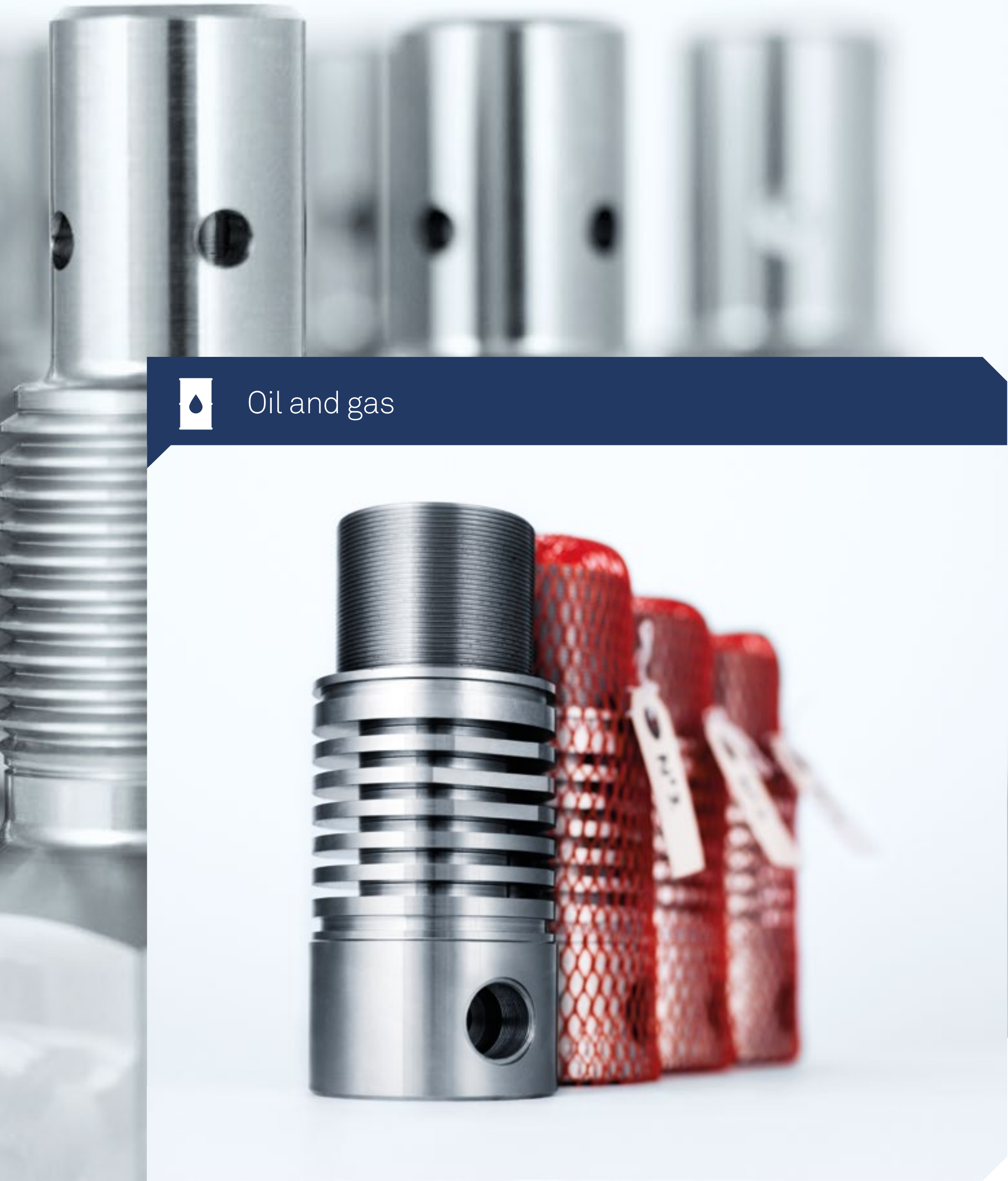
Financial Statements

Innovative solutions

Complex bespoke parts machined to exact tolerances.

Origin: Made in Glasgow

Oil and gas



Link to strategy

Identify & develop profitable niche opportunities in growth sectors

Read more about our strategy **on p09**

Innovative technical and cost saving solutions through industry leading expertise

Driven by the market's need to reduce the cost of oil production, new products are also being developed with existing customers.

The PMC Division's Technical and sales team recently worked with a blue chip customer to take a product that went through several stages of manufacture, including outsourcing during the process, and comprising different base materials, to create a part made in one piece from a single alloy.

The collaboration created numerous benefits:

- Reduced manufacturing lead time
- Lower cost per unit
- Superior product
- Risk from weld defects removed
- Further reduced risk of failure in service
- Decreased demand on customer's document control requirement
- Improved manufacturing control through the elimination of outsourcing during the process
- Potential to extend solution to product families
- Supply chain strengthened with PMC sole supplier

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 week period ended 29 September 2018

	Notes	**52 weeks ended 29 September 2018 £'000**	52 weeks ended 30 September 2017 £'000
Revenue		**32,245**	34,557
Cost of sales		**(22,605)**	(24,851)
Gross profit		**9,640**	9,706
Administration expenses		**(9,093)**	(8,137)
Operating profit before M&A costs, amortisation and exceptional charges and credits		**547**	1,569
Separately disclosed items of administrative expenses:			
Amortisation and M&A related exceptional items	5	**(2,584)**	(1,968)
Other exceptional charges and credits	6	**(688)**	(667)
Operating loss		**(2,725)**	(1,066)
Finance income	2	**6**	4
Finance costs	3	**(400)**	(343)
Loss before taxation	4	**(3,119)**	(1,405)
Taxation	11	**589**	823
Loss for the period from continuing operations		**(2,530)**	(582)
Discontinued operations			
Loss for the period from discontinued operations	7	**(2,558)**	(565)
Loss for the period attributable to owners of the parent			
Other comprehensive income		**(5,088)**	(1,147)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences on translation of foreign operations		**(60)**	(4)
Total comprehensive income for the period attributable to the owners of the parent		**(5,148)**	(1,151)
Basic earnings per share			
From continuing operation	12	**(13.9)p**	(4.0)p
From discontinued operations	12	**(14.1)p**	(3.9)p
From loss for the period		**(28.0)p**	(7.9)p
Diluted earnings per share			
From continuing operation	12	**(13.9)p**	(4.0)p
From discontinued operations	12	**(14.1)p**	(3.9)p
From loss for the period		**(28.0)p**	(7.9)p

The accounting policies and notes on pages 58 to 88 form part of these Financial Statements.

CONSOLIDATED BALANCE SHEET

As at 29 September 2018

	Notes	29 September 2018 £'000	30 September 2017 £'000
Non-current assets			
Goodwill	14	**14,370**	16,062
Intangible assets	15	**11,444**	13,658
Property, plant and equipment	16	**12,032**	12,583
Deferred tax asset	25	**402**	343
		38,248	42,646
Current assets			
Inventories	19	**4,383**	4,986
Trade and other receivables	20	**11,998**	11,339
Cash and cash equivalents		**6,140**	4,791
Current tax		**35**	—
		22,556	21,116
Total assets		**60,804**	63,762
Current liabilities			
Trade and other payables	21	**(12,745)**	(11,748)
Borrowings	22	**(241)**	(219)
Current tax liabilities		**—**	(23)
		(12,986)	(11,990)
Non-current liabilities			
Other payables	21	**(198)**	(238)
Borrowings	22	**(12,636)**	(15,642)
Deferred tax liabilities	25	**(1,591)**	(2,089)
		(14,425)	(17,969)
Total liabilities		**(27,411)**	(29,959)
Net assets		**33,393**	33,803
Equity			
Share capital	26	**930**	725
Share premium account		**26,172**	21,637
Translation reserve		**(465)**	(405)
Retained earnings		**6,756**	11,846
Total equity		**33,393**	33,803

The accounting policies and notes on pages 58 to 88 form part of these Financial Statements.

The Financial Statements were approved by the Board on 10 December 2018 and signed on its behalf by:

Joanna Allen
Director
Company number: 06135104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 week period ended 29 September 2018

	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 2 October 2016		724	21,620	(401)	12,872	34,815
Share-based payments	27	—	—	—	121	121
Shares issued	26	1	17	—	—	18
Transactions with owners		1	17	—	121	139
Loss for the period		—	—	—	(1,147)	(1,147)
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	(4)	—	(4)
Total comprehensive income		—	—	(4)	(1,147)	(1,151)
Balance at 30 September 2017		725	21,637	(405)	11,846	33,803
Share-based payments	27	—	—	—	(2)	(2)
Shares issued	26	205	4,535	—	—	4,740
Transactions with owners		205	4,535	—	(2)	4,738
Loss for the period		—	—	—	(5,088)	(5,088)
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	(60)	—	(60)
Total comprehensive income		—	—	(60)	(5,088)	(5,148)
Balance at 29 September 2018		**930**	**26,172**	**(465)**	**6,756**	**33,393**

The accounting policies and notes on pages 58 to 88 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 week period ended 29 September 2018

	Notes	**52 weeks ended 29 September 2018 £'000**	52 weeks ended 30 September 2017 £'000
Operating activities			
Cash flows from operating activities	28	**291**	319
Finance costs paid		**(394)**	(324)
Income tax (paid) / refund		**(56)**	216
Net cash (outflow) / inflow from operating activities		**(159)**	211
Investing activities			
Proceeds from sale of fixed assets		**127**	21
Purchase of property, plant and equipment		**(1,009)**	(961)
Cash outflow on purchase of subsidiaries net of cash acquired		**—**	(3,597)
Cash inflow on disposal of subsidiaries net of cash disposed of	29	**1,088**	—
Net cash used in investing activities		**206**	(4,537)
Financing activities			
New borrowings		**—**	3,350
Repayment of borrowings		**(3,438)**	(324)
Shares issued		**4,740**	18
Net cash from financing activities		**1,302**	3,044
Net increase / (decrease) in cash and cash equivalents		**1,349**	(1,282)
Cash and cash equivalents at beginning of period		**4,791**	6,073
Cash and cash equivalents at end of period		**6,140**	4,791

The accounting policies and notes on pages 58 to 88 form part of these Financial Statements.

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and IFRIC interpretations issued by the International Accounting Standards Board and the Companies Act 2006. The Company has elected to prepare its Parent Company Financial Statements in accordance with Financial Reporting Standard 101 (FRS 101). These are presented on pages 82 to 91. The Financial Statements are made up to the Saturday nearest to the period end for each financial period.

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

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ended 29 September 2018. The Consolidated Financial Statements have been prepared on a going concern basis.

The Group's existing bank borrowings have been extended to 31 January 2020 and management have produced forecasts for all business units which have been reviewed by the Directors. These demonstrate the Group is forecast to generate profits and cash in 2018/2019 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 the date when these Financial Statements have been signed. Management have modelled the financial covenants in the forecasts and no breach is expected.

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

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

Standards and interpretations not yet applied by the Group

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

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Annual Improvements to IFRSs 2014-2016 Cycle (effective 1 January 2018)
- IFRS 16 Leases (effective date 1 January 2019)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
- IFRIC 22 Foreign currency transactions and advance considerations (effective 1 January 2018)

Management have assessed the impact that the implementation of IFRS 15 will have on revenue recognition, particularly with reference to construction contracts and other income streams. Changes have been made to internally reported management information to ensure complete and accurate data capture but management concluded that there would be no material impact on revenue recognition.

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

Revenue recognition

The Group recognises revenue when the significant risks and rewards of ownership are considered to have 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. 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'.

Stage of completion on construction contracts

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

Impairment reviews – intangible and tangible assets

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

Deferred consideration

The Group has acquired, as a result of M&A activity, significant liabilities and assets in respect of deferred consideration. The payment of this consideration is contingent on the results of the potential acquired and disposed entities. Upon acquisition or disposal, 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 or receivable. Where an adjustment to deferred consideration is deemed necessary, the difference is recognised in profit and loss as an exceptional item.

Business combinations – retention cash

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

Key sources of estimation uncertainty

Inventory provisions

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

Valuation of intangible assets acquired through business combinations

The Directors estimate the value of intangible assets with reference to any advice received, based on their experience of the value of such assets in similar businesses and under similar market conditions. The carrying value of intangible assets is disclosed in note 15 to the Financial Statements.

Warranty provisions

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

Stage of completion on construction contracts

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

Deferred consideration

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

Contingent liabilities

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

Basis of consolidation

The Group Financial Statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 29 September 2018 (2017: to 30 September 2017). Subsidiaries are all entities over which the Group has the power to control. The Consolidated Financial Statements of the Group incorporate the Financial Statements of the Parent Company as well as those entities controlled by the Group by full consolidation.

Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Business combinations and goodwill

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

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

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

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

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

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

Revenue

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

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

Sale of goods

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

Rendering of services

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

Contracts revenue

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

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

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

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

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

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

Share-based employee remuneration

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

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

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

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

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

Dividends

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

Property, plant and equipment

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

Buildings	50 years
Plant and machinery	3 – 15 years

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

Intangible assets

Development costs

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

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

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

Intangible assets (continued)

Intangible assets acquired as part of a business combination

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

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

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

Customer order book	Over life of the order book – typically one year
License and distribution agreement	15 years
Non-contractual customer relationships	5 – 10 years
Technology	7.5 – 15 years
Intellectual Property	15 years
IT systems & software licenses	5 years
Development expenditure	5 – 15 years

Impairment testing of non-current assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Leased assets

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

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

Inventories

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

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 Chief Financial Officer and to the Audit and Risk Committee. Valuation processes and fair value changes are discussed at least every year, in line with the Group's reporting dates.

Derivative financial instruments

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

Cash and cash equivalents

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

Equity and reserves

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

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

Foreign currency translation

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

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 operated four operating segments which represent the main products and services provided by the Group:

- Cylinders: the design, manufacture and reconditioning of seamless high pressure gas cylinders.
- Precision Machined Components: the manufacture of specialised, precision engineered valve wear parts used in the oil and gas industries.
- Engineered products: the manufacture of precision engineered products, air operated high pressure hydraulic pumps, gas boosters, power packs, hydraulic control panels and test rigs. This segment was disposed of in the year, as detailed in note 29.
- Alternative energy: marketing, selling and manufacture of biogas upgrading equipment to produce high purity biomethane.

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

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

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

Investments in associates

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

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

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

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

Exceptional items

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

Borrowings

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

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

Operating profit

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

Discontinued operations

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation with an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where a liability is contingent on the occurrence or non-occurrence of uncertain future events or circumstances it is only recognised if a reliable estimate can be made of the amount of obligation.

1. Segment analysis

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

For the 52 week period ended 29 September 2018

	Cylinders £'000	Precision Machined Components £'000	Manu-facturing sub total £'000	Alternative Energy £'000	Central costs £'000	Total £'000
Revenue						
– total	9,942	11,551	21,493	11,078	—	**32,571**
– revenue from other segments	—	(83)	(83)	—	—	**(83)**
– intra segment revenue from discontinued operations	—	(243)	(243)	—	—	**(243)**
Revenue from external customers	9,942	11,225	21,167	11,078	—	**32,245**
Gross profit	3,511	3,694	7,205	2,405	30	**9,640**
Operating profit / (loss) before M&A costs, amortisation and exceptional charges and credits	1,099	1,501	2,600	(502)	(1,551)	**547**
Amortisation and M&A related exceptional items	—	(1,741)	(1,741)	(768)	(75)	**(2,584)**
Other exceptional charges	(27)	(60)	(87)	(177)	(424)	**(688)**
Operating profit / (loss)	1,072	(300)	772	(1,447)	(2,050)	**(2,725)**
Net finance (costs) / income	(15)	(8)	(23)	6	(377)	**(394)**
Profit / (loss) before tax	1,057	(308)	749	(1,441)	(2,427)	**(3,119)**
Segmental net assets*	6,392	54,254	60,646	11,792	(39,045)	**33,393**
Other segment information:						
Capital expenditure	410	600	1,010	65	18	**1,093**
Depreciation	473	635	1,108	72	125	**1,305**
Amortisation	—	1,741	1,741	768	75	**2,584**

* 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 30 September 2017

	Cylinders £'000	Precision Machined Components £'000	Manu-facturing sub total £'000	Alternative Energy £'000	Central costs £'000	Total £'000
Revenue						
– total	8,403	10,703	19,106	15,800	—	34,906
– revenue from other segments	—	(79)	(79)	—	—	(79)
– intra segment revenue from discontinued operations	—	(270)	(270)	—	—	(270)
Revenue from external customers	8,403	10,354	18,757	15,800	—	34,557
Gross profit	3,408	3,591	6,999	2,731	(24)	9,706
Operating profit / (loss) before M&A costs, amortisation and exceptional charges and credits	1,062	1,840	2,902	3	(1,336)	1,569
Amortisation and M&A related exceptional items	—	(1,691)	(1,691)	(708)	431	(1,968)
Other exceptional charges	(34)	(57)	(91)	(413)	(163)	(667)
Operating profit / (loss)	1,028	92	1,120	(1,118)	(1,068)	(1,066)
Net finance (costs) / income	(9)	(6)	(15)	4	(328)	(339)
Profit / (loss) before tax	1,019	86	1,105	(1,114)	(1,396)	(1,405)
Segmental net assets*	6,271	24,370	30,641	14,736	(14,100)	31,277
Other segment information:						
Capital expenditure	(37)	166	129	72	68	269
Depreciation	403	700	1,103	105	122	1,330
Amortisation	—	1,691	1,691	708	8	2,407

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

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

Revenue	**2018 £'000**	2017 £'000
United Kingdom	**13,329**	13,197
Europe	**6,430**	6,935
Rest of the World	**12,486**	14,425
	32,245	34,557

1. Segment analysis (continued)

The Group's largest customer contributed 9% to the Group's revenue (2017: 12%) and is reported within the Alternative Energy segment.

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

Revenue	2018 £'000	2017 £'000
Oil and gas	**12,477**	10,608
Defence	**6,620**	6,404
Industrial gases	**2,019**	1,745
Alternative energy	**11,129**	15,800
	32,245	34,557

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

Revenue	2018 £'000	2017 £'000
Sale of goods	**28,213**	30,694
Rendering of services	**4,032**	3,863
Total sales – continuing operations	**32,245**	34,557

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

	2018			2017		
	United Kingdom £'000	**Rest of the World £'000**	**Total £'000**	United Kingdom £'000	Rest of the World £'000	Total £'000
Non-current assets	**38,194**	**54**	**38,248**	42,594	52	42,646
Additions to property, plant and equipment	**1,030**	**63**	**1,093**	240	52	292

2. Finance income

	2018 £'000	2017 £'000
Interest receivable on bank deposits	**6**	4
	6	4

3. Finance costs

	2018 £'000	2017 £'000
Interest payable on bank loans and overdrafts	**377**	309
Interest payable on finance leases	**23**	19
Discounting adjustment on trade and other payables	**—**	15
	400	343

4. Loss before taxation

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

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment – owned assets	**1,318**	1,382
Depreciation of property, plant and equipment – assets under finance lease and hire purchase agreements	**60**	56
(Profit) / loss on disposal of fixed assets	**(69)**	21
Amortisation of intangible assets acquired on business combinations	**2,584**	2,407
Amortisation of grants receivable	**(86)**	(94)
Staff costs – excluding share-based payments (see note 9)	**12,031**	11,058
Cost of inventories recognised as an expense	**17,420**	21,418
Operating lease rentals:		
– Land and buildings	**306**	353
– Machinery and equipment	**86**	89
Foreign currency (gain) / loss	**(102)**	37
Share-based payments	**(2)**	121

5. Amortisation and M&A related exceptional items

	2018 £'000	2017 £'000
Amortisation of intangible assets	**(2,584)**	(2,407)
M&A costs	**—**	(158)
Deferred consideration write back	**—**	597
	(2,584)	(1,968)

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

6. Other exceptional (charges) / credits

	2018 £'000	2017 £'000
Reorganisation and redundancy	**(333)**	(674)
CEO retirement costs	**(346)**	—
Costs in relation to HSE investigation	**(9)**	(21)
Write back of KGTM loan previously provided for	**—**	28
	(688)	(667)

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

On 21 July 2018, John Hayward informed the Board of his decision to retire as Chief Executive Officer. John subsequently stepped down from the Board, with effect from 1 October 2018. CEO retirement costs include payment in lieu of contractual notice (£216,000) and the balance settlement costs.

Costs in relation to the HSE investigation are costs borne by the Group as a direct result of the accident at Chesterfield Special Cylinders which are over and above those recoverable through insurance. Given the non-trading nature of these costs, the Directors consider it appropriate to disclose this as an exceptional item. Further details on the HSE investigation can be found in note 31.

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

7. Results of discontinued operation

	2018 £'000	2017 £'000
Revenue	**2,375**	3,861
Expenses	**(2,623)**	(4,333)
Operating profit pre-exceptional costs	**(248)**	(472)
Exceptional costs:		
Reorganisation and redundancy	**(15)**	(36)
Costs to sell	**(457)**	—
Loss after tax on disposal (note 29)	**(114)**	—
Goodwill impairment	**(1,692)**	—
Loss before taxation	**(2,526)**	(508)
Taxation	**(32)**	(57)
Loss for the year	**(2,558)**	(565)

On 7 June 2018, and as separately communicated to Shareholders on that date, the Group completed the disposal of the entire issued share capital of its subsidiary, Hydratron Limited, to Pryme Group Limited, majority owned by Simmons Private Equity LP. This business was reported by the Group as the Engineered Products segment.

The Goodwill impairment relates to a full write down of the goodwill which arose on the acquisition of Hydratron Limited. The strategic decision to dispose of Hydratron Limited (note 29) provided an indicator of impairment, with the divestment crystallising a fair market value assessment.

	2018 £'000	2017 £'000
Cash flows from discontinued operations		
Net cash used in operating activities	**(481)**	(527)
Net cash from investing activities	**—**	(25)
Net cash from financing activities	**290**	726
Net cash flows for the year	**(191)**	174

8. Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the Company's Auditor for the audit of the Company and Consolidated Financial Statements	**40**	46
Fees payable to the Company's Auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**100**	115
Fees payable to the Company's Auditor for non-audit services:		
– Tax compliance services	**25**	32
– Tax advisory services	**35**	—
– Other services	**11**	6
– All other assurance services	**10**	10

9. Employee costs

Particulars of employees, including Executive Directors:

	2018 £'000	2017 £'000
Wages and salaries	**10,142**	9,540
Social security costs	**957**	824
Pension costs	**438**	467
Share-based payments	**(2)**	121
Exceptional costs	**494**	227
	12,029	11,179

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

	2018 No.	2017 No.
Production	**146**	144
Selling and distribution	**30**	30
Administration	**63**	65
	239	239

The total number of employees, employed by the Group on 29 September 2018 was 230 (2017: 240).

10. Directors' remuneration

Particulars of Directors' remuneration are as follows:

	2018 £'000	2017 £'000
Emoluments	**571**	557
Pension costs	**45**	41
Employers' national insurance	**68**	65
Share-based payments	**(12)**	63
Exceptional costs	**336**	—
	1,008	726

Please see the Report of the Remuneration Committee on pages 38 to 39 for full details of Directors' emoluments which have been audited.

No Directors exercised any share options in the year.

During the year retirement benefits were accruing to 3 (2017: 2) Directors in respect of defined contributions schemes.

On 21 July 2018, John Hayward informed the Board of his decision to retire as Chief Executive Officer. John subsequently stepped down from the Board, with effect from 1 October 2018. CEO retirement costs include payment in lieu of contractual notice (£216,000) and the balance settlement costs.

Included in the aggregate emoluments for the period ended 29 September 2018 are payments of £25,100 (2017: £27,050) made to companies controlled by the Directors. The highest paid Director received total emoluments of £513,000 and pension contributions of £22,000 (2017: total emoluments of £207,000 and pension contributions of £22,000).

11. Taxation

	2018 Continuing £'000	2018 Discontinued £'000	2018 Total £'000	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000
Current tax (credit) / expense						
Current tax	—	—	—	—	—	—
Over provision in respect of prior years	—	—	—	(336)	(69)	(405)
Foreign tax	—	—	—	49	—	49
	—	—	—	(287)	(69)	(356)
Deferred tax (credit) / expense						
Origination and reversal of temporary differences	(524)	—	(524)	(527)	(7)	(534)
Deferred tax assets no longer recognised	20	32	52	—	—	—
Over provision in respect of prior years	(85)	—	(85)	(9)	133	124
	(589)	32	(557)	(536)	126	(410)
Total taxation credit	(589)	32	(557)	(823)	57	(766)

Corporation tax is calculated at 19% (2017: 19.5%) of the estimated assessable profit for the period. Deferred tax is calculated at the rate applicable when the temporary differences unwind.

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

	2018 Continuing £'000	2018 Discontinued £'000	2018 Total £'000	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000
Loss before taxation	(3,119)	(2,526)	(5,645)	(1,405)	(508)	(1,913)
Theoretical tax at UK corporation tax rate 19% (2017: 19.5%)	(593)	(480)	(1,073)	(274)	(99)	(373)
Effect of (credits) / charges:						
– non-deductible expenses and other timing differences	269	321	590	190	14	204
– disallowable release of deferred consideration	—	—	—	(113)	—	(113)
– other disallowable acquisition costs	—	—	—	(49)	—	(49)
– research and development allowance	(68)	—	(68)	—	—	—
– adjustments in respect of prior years	(85)	—	(85)	(351)	70	(281)
– effect of unrealised losses on discontinued operations	(108)	159	51	(72)	72	—
– change in taxation rates	(5)	—	(5)	(2)	—	(2)
– differences in corporation tax rates	54	—	54	(68)	—	(68)
– losses not previously recognised now utilised	(73)	—	(73)	(84)	—	(84)
– deferred tax assets no longer recognised	20	32	52	—	—	—
Total taxation credit	(589)	32	(557)	(823)	57	(766)

12. Earnings per ordinary share

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

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

For the 52 week period ended 29 September 2018

	Continuing £'000	**Discontinued £'000**	**Total £'000**
Loss after tax	**(2,530)**	**(2,558)**	**(5,088)**

	No.
Weighted average number of shares – basic	**18,178,407**
Dilutive effect of share options	**17,944**
Weighted average number of shares – diluted	**18,196,351**

Basic loss per share	**(13.9)**	**(14.1)**	**(28.0)**
Diluted loss per share	**(13.9)**	**(14.1)**	**(28.0)**

The Group adjusted earnings per share is calculated as follows:

Loss after tax	**(2,530)**	**(2,558)**	**(5,088)**
Amortisation and M&A related exceptional items (note 5)	**2,584**	**1,692**	**4,276**
Other exceptional charges and credits (note 6)	**688**	**586**	**1,274**
Theoretical tax effect of above adjustments	**(622)**	**(90)**	**(712)**
Adjusted earnings	**120**	**(370)**	**(250)**
Adjusted earnings per share	**0.7p**	**(2.0)p**	**(1.4)p**

For the 52 week period ended 30 September 2017

	Continuing £'000	Discontinued £'000	Total £'000
Loss after tax	(582)	(565)	(1,147)

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

Basic loss per share	(4.0)	(3.9)	(7.9)
Diluted loss per share	(4.0)	(3.9)	(7.9)

The Group adjusted loss per share is calculated as follows:

Loss after tax	(582)	(565)	(1,147)
Amortisation and M&A related exceptional items (note 5)	1,968	—	1,968
Other exceptional charges and credits (note 6)	667	36	703
Theoretical tax effect of above adjustments	(599)	(7)	(606)
Adjusted earnings	1,454	(536)	918
Adjusted earnings per share	10.0	(3.7)	6.3

13. Dividends

No dividends have been declared in respect of the year ended 29 September 2018 or 30 September 2017.

14. Goodwill

	Total £'000
Cost and gross carrying amount	
At 1 October 2016	15,020
Acquired through business combinations	1,042
At 30 September 2017	16,062
Removed upon business disposal (note 29)	(1,692)
At 29 September 2018	**14,370**

	Date of acquisition	Original cost £'000
Precision Machined components		
Al-Met Limited	February 2010	272
Roota Engineering Limited	March 2014	5,117
The Quadscot Group	October 2014	3,079
Martract Limited	December 2016	1,042
Alternative Energy		
The Greenlane Group	October 2014	4,860
At 29 September 2018		**14,370**

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 shown above.

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

The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations, covering a four year forecast and applying a discount rate of 12.5% for Precision Machined Components and 15% for Alternative Energy (2017: 11.6% for both). The same discount rate is used for all the Precision Machined Components CGUs due to the businesses having common sources of finance and operating in very similar markets.

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

In the manufacturing divisions, the forecasts used for years two to four assume revenue growth, returning to levels achieved in 2014 by 2022 and into perpetuity, no long-term rate of growth or inflation is incorporated into perpetuity. In the Alternative Energy Division, the forecasts used for years two onwards, prudently assume no revenue growth. A perpetuity is used as a terminal value in this calculation.

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

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

After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates and discount rates, management believe that no impairment is required for Precision Machined Components. Management is not aware of any other changes that would necessitate changes to its key estimates. At 29 September 2018, no reasonable expected change in the key assumptions (including a 5% decrease in forecast cash flows) would give rise to an impairment charge for Precision Machined Components. The Alternative Energy Division was assessed against a number of factors and incorporated the findings of the strategic review undertaken by the Board. The announcement post-year end divesting of the Alternative Energy Division indicated sufficient headroom.

15. Intangible assets

Cost	Intellectual property £'000	IT systems & software licenses £'000	Development expenditure £'000	Technology £'000	Non contractual customer relationships £'000	Total £'000
At 2 October 2016	—	44	—	5,316	11,702	17,062
Additions	—	432	564	—	—	996
Acquired through business combination	2,796	—	—	—	944	3,740
At 30 September 2017	2,796	476	564	5,316	12,646	21,798
Additions	—	326	44	—	—	370
Removed upon business disposal (note 29)	—	—	—	—	(766)	(766)
At 29 September 2018	**2,796**	**802**	**608**	**5,316**	**11,880**	**21,402**
Amortisation						
At 2 October 2016	—	1	—	1,423	4,309	5,733
Charge for the period	155	9	—	708	1,535	2,407
At 30 September 2017	155	10	—	2,131	5,844	8,140
Charge for the period	187	98	40	703	1,556	2,584
Removed upon business disposal (note 29)	—	—	—	—	(766)	(766)
At 29 September 2018	**342**	**108**	**40**	**2,834**	**6,634**	**9,958**
Net book value						
At 29 September 2018	**2,454**	**694**	**568**	**2,482**	**5,246**	**11,444**
At 30 September 2017	2,641	466	564	3,185	6,802	13,658
Remaining useful economic life at 29 September 2018	13 years	4 years	9 years	4 years	5 years	

16. Property, plant and equipment

	Assets under construction £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 2 October 2016	2,196	4,952	12,850	19,998
Additions	—	6	286	292
Acquired through business combinations	—	—	16	16
Disposals	—	—	(76)	(76)
Transfers	(2,008)	—	2,008	—
Impairment	—	—	(11)	(11)
Net exchange differences	—	—	1	1
At 30 September 2017	188	4,958	15,074	20,220
Additions	64	1	1,028	1,093
Removed upon business disposal (note 29)	—	(234)	(707)	(941)
Disposals	—	—	(494)	(494)
Transfers	—	—	—	—
Impairment	—	—	—	—
Net exchange differences	—	—	—	—
At 29 September 2018	**252**	**4,725**	**14,901**	**19,878**
Amortisation				
At 2 October 2016	—	118	6,115	6,233
Charge for the period	—	76	1,362	1,438
Disposed of in the period	—	—	(34)	(34)
At 30 September 2017	—	194	7,443	7,637
Charge for the period	—	66	1,312	1,378
Removed upon business disposal (note 29)	—	(135)	(598)	(733)
Disposed of in the period	—	—	(436)	(436)
At 29 September 2018	**—**	**125**	**7,721**	**7,846**
Net book value				
At 29 September 2018	**252**	**4,600**	**7,180**	**12,032**
At 30 September 2017	188	4,764	7,631	12,583

Included within the net book value of £12,032,000 is £679,000 (2017: £374,000) 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 £60,000 (2017: £56,000).

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.

Martract Limited is exempt from the requirement of the Companies Act relating to the audit of individual Financial Statements by virtue of s479A of the Companies Act 2006

18. Investments in associates

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

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

	Country of incorporation	Assets £'000	Liabilities £'000	Revenues £'000	Loss £'000	Interest held %
At 30 September 2017						
Kelley GTM, LLC.	USA	1,004	(7,189)	908	(652)	40
At 29 September 2018						
Kelley GTM, LLC.	USA	548	(7,624)	703	(677)	40

KGTM has a year-end date of 31 December. The period for which the results of KGTM have been shown in the table above is from 1 October 2017 to 29 September 2018. The Group's share of the results of KGTM are not included in the Group's Financial Statements as the investment and loans made to KGTM are fully written down and there is no legal or constructive obligation to recognise any further losses and no further payments have been made on behalf of the associate.

The total losses recognised against the investment and other receivables from KGTM for the period were £nil (2017: nil) leaving unrecognised losses of £677,000 (2017: £652,000).

19. Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	**2,428**	2,959
Work in progress	**1,890**	1,982
Finished goods	**65**	45
	4,383	4,986

Inventories are stated net of provisions of £325,000 (2017: £547,000).

20. Trade and other receivables

	2018 £'000	2017 £'000
Current		
Trade receivables	**8,384**	8,820
Amounts due from customers for construction contract work	**1,106**	1,256
Other receivables	**646**	216
Prepayments and accrued income	**1,862**	1,047
	11,998	11,339

The average credit period taken on the sale of goods and services was 53 days (2017: 61 days) in respect of the Group. Two debtors individually accounted for over 10% of trade receivables and represented 36% of the total balance. In 2017, one debtor accounted for over 10% of trade receivables and represented 14% of the total balance.

Ageing of past due but not impaired receivables:

	2018 £'000	2017 £'000
Days past due:		
0 – 30 days	**954**	1,702
31 – 60 days	**172**	310
61 – 90 days	**186**	360
91 – 120 days	**87**	50
121+ days	**464**	84
Total	**1,863**	2,506

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

21. Trade and other payables

	2018 £'000	2017 £'000
Amounts due within 12 months		
Trade payables	**3,741**	5,030
Progress billings on construction contracts in excess of work completed	**3,698**	1,368
Other tax and social security	**689**	757
Accruals, deferred income and other payables	**4,617**	4,593
Total due within 12 months	**12,745**	11,748
Amounts due after 12 months		
Accruals, deferred income and other payables	**198**	238
Total due after 12 months	**198**	238

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

The warranty provision at 29 September 2018 is £600,000 (2017: £491,000).

22. Borrowings

	2018 £'000	2017 £'000
Non-current		
Bank borrowings	**11,800**	15,000
Finance lease liabilities	**836**	642
	12,636	15,642
Current		
Finance lease liabilities	**241**	219
	241	219
Total borrowings	**12,877**	15,861

The bank loan bears average coupons of 2% above LIBOR annually.

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

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

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

	2018 £'000	2017 £'000
Due within one year		
Finance lease liabilities	**241**	219
Due for settlement after one year		
Bank borrowings	**11,800**	15,000
Finance lease liabilities	**836**	642

The Group has the following undrawn borrowing facilities:

	2018 £'000	2017 £'000
Expiring beyond one year	**3,200**	—

23. Construction contracts

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

	2018 £'000	2017 £'000
Costs incurred and profit recognised to date	**18,268**	19,862
Less: Progress billings	**(20,860)**	(19,974)
Net balance sheet position for ongoing contracts	**(2,592)**	(112)

Representing:

	2018 £'000	2017 £'000
Amounts due from customers for construction contract work (note 20)	**1,106**	1,256
Amounts due from customers for construction contract work (note 21)	**(3,698)**	(1,368)
Net balance sheet position for ongoing contracts	**(2,592)**	(112)

24. Financial instruments

Capital risk management

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

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

	2018 £'000	2017 £'000
Debt	**(12,877)**	(15,861)
Cash and cash equivalents	**6,140**	4,791
Net debt	**(6,737)**	(11,070)
Equity	**33,393**	33,803

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

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

The Group held the following categories of financial instruments:

	2018 £'000	2017 £'000
Financial assets		
Loans and receivables:		
– Trade receivables	**8,384**	8,820
– Other receivables	**646**	216
– Cash and cash equivalents	**6,140**	4,791
	15,170	13,827

	2018 £'000	2017 £'000
Financial liabilities		
Financial liabilities – held at amortised cost		
– Trade payables	**3,741**	5,030
– Accruals	**1,775**	2,081
– Borrowings	**12,877**	15,861
	18,393	22,972

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

24. Financial instruments (continued)

Financial risk management objectives

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

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

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, particularly in US Dollars, CAN Dollars, NZ Dollars and Euros, and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk. There are no open contracts at 29 September 2018 (2017: none).

Foreign currency risk management

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

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

	Financial assets		Financial liabilities	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Euro	**2,156**	1,107	**767**	1,347
US Dollar	**2,158**	2,159	**437**	478
CAN Dollar	**2,114**	777	**372**	936
NZ Dollar	**74**	169	**16**	53
	6,502	4,212	**1,592**	2,814

Foreign currency sensitivity analysis

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

	Euro currency impact		CAN Dollar currency impact		US Dollar currency impact	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Profit or loss	**126**	22	**158**	14	**156**	148

	NZ Dollar currency impact	
	2018 £'000	2017 £'000
Profit or loss	**5**	10

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

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

24. 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 29 September 2018, the Group had no contracts outstanding (2017: no contracts outstanding).

Forward exchange contracts gave rise to a loss of £nil in the period ended 29 September 2018. The fair value of forward foreign exchange contracts at 30 September 2017 gave rise to a loss of £nil.

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 £38,000 (2017: £48,000).

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 36% (2017: 22%) of debtors. Management continually monitor this dependence on the largest customers and are continuing to seek acquisitions and are also developing new products, customers and markets to reduce this dependence. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The Group's management estimate the level of allowances required for doubtful debts based on prior experience and their assessment of the current economic environment. The Group's maximum exposure to credit risk is limited to the carrying value of financial assets recognised at the period end. The Group's management considers that all financial assets that are not impaired or past due are of good credit quality. The credit risk on liquid funds is minimised by using counterparty banks with high credit-ratings assigned by international credit-rating agencies.

24. 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.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The contractual maturity is also based on the earliest date on which the Group may be required to pay.

2018	Current within 6 months £'000	Current 6 to 12 months £'000	Non-current 1 to 5 years £'000	Total net payable £'000
Trade and other payables	**5,516**	**—**	**—**	**5,516**
Bank borrowings	**—**	**—**	**11,800**	**11,800**
Amounts due under hire purchase agreements	**121**	**120**	**836**	**1,077**
	5,637	**120**	**12,636**	**18,393**

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

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

	2018 £'000	2017 £'000
Fair value through profit and loss (FVTPL)		
– Derivative instrument – forward currency contract not recognised for hedge accounting	**—**	—
Amounts charged to cost of sales within the consolidated statement of comprehensive income	**—**	—

Fair values

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

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

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

25. Deferred tax

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

	Accelerated tax depreciation £'000	Intangible assets £'000	Short term temporary differences £'000	Share option costs £'000	Unused losses £'000	Total £'000
At 1 October 2016	(718)	(1,256)	95	66	330	(1,483)
Prior year adjustment	(3)	—	(13)	56	(40)	—
Credit / (charge) to income	291	325	68	16	(290)	410
Acquired through business combinations	—	(673)	—	—	—	(673)
At 30 September 2017	(430)	(1,604)	150	138	—	(1,746)
Prior year adjustment	—	—	—	—	—	—
Credit / (charge) to income	244	296	(97)	(33)	147	557
Removed upon business disposal (note 29)	—	—	—	—	—	—
At 29 September 2018	**(186)**	**(1,308)**	**53**	**105**	**147**	**(1,189)**

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

	2018 £'000	2017 £'000
Non-current asset		
Deferred tax asset	**402**	343
Non-current liabilities		
Deferred tax liabilities	**(1,591)**	(2,089)
	(1,189)	(1,746)

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

26. Called up share capital

	2018 No.	2017 No.	**2018 £'000**	2017 £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	**18,595,165**	14,495,165	**930**	725

On 6 November 2017, a total of 4,100,000 new Ordinary shares of 5 pence each in the Company were placed at a price of 122 pence, raising proceeds of £5,002,000 before expenses. Net proceeds of the placing were £4,740,000.

27. Share-based payments

Save-as-you-earn Scheme

Pressure Technologies plc introduced a share option scheme for all employees of the Group in November 2007. A ninth grant of options was made in July 2018. The scheme rules were reviewed and updated in 2017 as required by HMRC. 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 and are treated as a cancellation if the employee chooses to stop contributing. Members of the scheme are required to remain employees of the Group and make regular contributions.

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

	2018 No.	**Weighted average exercise price**	2017 No.	Weighted average exercise price
Outstanding at the beginning of the period	**139,868**	**174p**	292,513	169.4p
Granted during the period	**385,533**	**97.6p**	—	—
Lapsed during the period	**—**	**—**	—	—
Forfeited during the period	**(38,963)**	**157.1p**	(63,758)	164.6p
Cancelled during the period	**(28,748)**	**157.1p**	(56,820)	171p
Exercised during the period	**—**	**—**	(11,189)	156p
Expired during the period	**(5,217)**	**593p**	(20,878)	156p
Outstanding at the end of the period	**452,473**	**106.6p**	139,868	174p

49,900 of the outstanding options were exercisable at the end of the period. The options outstanding at 29 September 2018 had a weighted average remaining contractual life of 2.4 years (2017: 1.1 years). The terms of these options are as follows:

Date of grant	Options outstanding at 29 September 2018	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
30 July 2015	49,900	3 years	238	161.2	6 months
2 August 2016	17,040	3 years	147.5	150	6 months
26 July 2018	385,533	3 years	122	97.6	6 months
Total options outstanding at 29 September 2018	**452,473**				

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

Pressure Technologies plc – Long Term Incentive Plan – type 1

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

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

	2018 No.	**Weighted average exercise price**	2017 No.	Weighted average exercise price
Outstanding at the beginning of the period	**442,157**	**296.1p**	646,647	285.5p
Granted during the period	**—**	**—**	—	—
Lapsed during the period	**(235,688)**	**328.6p**	(204,490)	262.5p
Outstanding at the end of the period	**206,469**	**259.0p**	442,157	296.1p

27. Share-based payments (continued)

Pressure Technologies plc – Long Term Incentive Plan – type 1 (continued)

56,901 of the outstanding options were exercisable at the end of the period. The options outstanding at 29 September 2018 had a weighted average remaining contractual life of 3.0 years (2017: 3.9 years). The terms of these options are as follows:

Date of grant	Options outstanding at 29 September 2018	Vesting period	Market value at date of grant (p)	Exercise price (p)
3 April 2014	12,984	3 years	720.8	720.8
12 December 2014	19,774	3 years	473.3	473.3
25 June 2015	23,333	3 years	212	225
21 December 2015	150,378	3 years	196.2	196.2
Total options outstanding at 29 September 2018	**206,469**			

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. 56,901 options were exercisable as at the reporting date.

Pressure Technologies plc – Long Term Incentive Plan – type 2

The Group adopted a new Long Term Incentive Plan (LTIP) on 3 September 2018, awards were granted to two Executive Directors and three key management personnel under the scheme.

LTIP awards give a conditional right to shares at three separate points in time 13 August 2021, 13 August 2022 and 13 August 2023, the percentage of the total award of shares to be granted at these dates is 50%, 30% and 20% respectively. The amount of the award is determined by the participant's percentage entitlement to the award pool at 13 August 2021, and the size of the award pool itself is based upon performance criteria relating to growth in the Parent company's share price and dividends over the period to 13 August 2021. The entitlement of Christopher Walters and Joanna Allen in the overall award pool is 38% and 25% respectively. The value of payouts from the plan are capped on an individual basis but there is no specific limit on the number of share options that can be granted.

The fair value of the award pool is £239,000.

Pressure Technologies plc Performance Share Plan – Enterprise Management Plan

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

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

	2018 No.	**Weighted average exercise price**	2017 No.	Weighted average exercise price
Outstanding at the beginning of the period	**100,000**	**242.5p**	153,156	210.6p
Granted during the period	**—**	**—**	—	—
Lapsed during the period	**(100,000)**	**242.5p**	(40,661)	150.5p
Exercised during the period	**—**	**—**	(12,495)	150.5p
Outstanding at the end of the period	**—**	**—**	100,000	242.5p

All of these options have now lapsed.

27. Share-based payments (continued)

Valuation models

The SAYE options granted during the period have been valued using the Black-Scholes model and the LTIP options granted during the period have been valued using the Monte Carlo model. The inputs into the models are as follows:

Model	Black-Scholes	Monte Carlo
Scheme	SAYE	LTIP
Date granted	27/07/2018	03/09/2018
Share price at date of offer	122p	125p
Exercise price	97.6p	Nil
Expected volatility	50%	50%
Expected life	3 years	3-5 years
Risk free rate	0.8%	0.8%
Expected dividend yield	0.0%	0.0%
Fair value	£169,249	£239,000

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 credit to the consolidated statement of comprehensive income in the period in respect of share-based payments was £2,000 (2017: charge of £121,000). The charge is calculated in accordance with IFRS 2, 'Share-based Payments'. A deferred tax charge of £33,000 (2017: £16,000 credit) was recognised in the consolidated statement of comprehensive income during the period in respect of share-based payments.

28. Consolidated cash flow statement

	2018 £'000	2017 £'000
Loss after tax	**(5,088)**	(1,147)
Adjustments for:		
Finance costs – net	**394**	339
Depreciation of property, plant and equipment	**1,378**	1,438
Amortisation of intangible assets	**2,584**	2,407
Share option costs	**(2)**	121
Income tax credit	**(589)**	(766)
(Profit) / loss on disposal of property, plant and equipment	**(69)**	21
Goodwill impairment	**1,692**	—
Exceptional deferred consideration released and revaluation	**—**	(597)
Exceptional impairment of assets	**—**	11
Changes in working capital:		
(Increase) / decrease in inventories	**(521)**	243
(Increase) / decrease in trade and other receivables	**(1,613)**	413
Increase / (decrease) in trade and other payables	**2,125**	(2,164)
Cash flows from operating activities	**291**	319

29. Business disposals

On 7 June 2018, the Group completed the disposal of the entire issued share capital of its subsidiary, Hydratron Limited, to Pryme Group Limited, majority owned by Simmons Private Equity LP. This business was reported by the Group as the Engineered Products segment.

The initial consideration was £1.1m (less costs and retentions), along with potential deferred contingent consideration up to a maximum of £2.25m, dependent on revenue in the twelve months post completion. As detailed in note 7 to these Financial Statements a goodwill impairment of £1.7m was recognised as an exceptional charge in the period ended 29 September 2018.

The table below summarises the profit on disposal of Hydratron Limited:

	£'000
Gross proceeds	1,112
Deferred and contingent consideration	—
Net proceeds	**1,112**
Net book value of assets disposed of:	
Goodwill	—
Property, plant & equipment	208
Inventories	1,124
Trade and other receivables	954
Cash and cash equivalents	24
Trade and other payables	(1,084)
Loss on disposal of Hydratron Limited	**(114)**

30. Financial commitments

(a) Capital commitments

Commitments for capital expenditure entered into were as follows:

	2018 £'000	2017 £'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:

	2018 £'000	2017 £'000
Land and buildings:		
Within one year	**215**	322
In the second to fifth years inclusive	**736**	972
After more than five years	**153**	594
	1,104	1,888
Other assets:		
Within one year	**72**	67
In the second to fifth years inclusive	**67**	61
	139	128

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

- A 15 year lease for Al-Met Limited's property commenced on 10 November 2010 with rent reviews at the end of year 5 and year 10 of the term;
- A 5 year lease for the Group's head office commenced on 31 July 2014, at Unit 6b Newton Business Centre, Newton Chambers Road, Chapeltown, Sheffield, South Yorkshire, S35 2PH.

31. Contingent liabilities

Following the fatal accident at Chesterfield Special Cylinders Limited ("CSC") in June 2015, other than the submission by CSC of written responses to questions from the Health and Safety Executive ("HSE"), there have been no further developments since the preliminary statement on 12 June 2018 and the HSE investigation into this accident remains ongoing. On 1 February 2016 the Sentencing Council's new "Health and Safety Offences, Corporate Manslaughter and Food Safety and Hygiene Offences Definitive Guideline" (2016) came into force.

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

32. Related party transactions

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

	2018 **£'000**	2017 £'000
Short-term employee benefits (including employers' NI)	**975**	622
Post-employment benefits	**45**	41
Share-based payments	**(12)**	63
Total remuneration	**1,008**	726

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

During the period ended 29 September 2018, Pressure Technologies spent £37,108 (2017: £64,779) with Vias Digital Limited with which one of the Non-executive Directors, Alan Wilson, is a connected person.

During the period ended 3 October 2015, Pressure Technologies purchased 5 Gas Transportation Modules (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 due from Kelley GTM, LLC of $3,500,000. The Directors consider that the recoverability of these loans is not certain and therefore made full provision against the value of the loans in the period ended 3 October 2015.

33. Post balance sheet event

Post year-end the Group signed an agreement to sell Greenlane Biogas to Creation Capital, a capital pool company listed on the TSX-V, which is anticipated to conclude in the first quarter of 2019.

As at 29 September 2018

	Notes	29 September 2018 £'000	30 September 2017 £'000
Fixed assets			
Investments	4	**37,778**	41,092
Intangible fixed assets	5	**320**	291
Tangible fixed assets	6	**3,484**	3,587
		41,582	44,970
Current assets			
Debtors	7	**14,790**	14,745
Cash at bank and in hand		**440**	585
		15,230	15,330
Creditors: amounts falling due within one year	8	**(916)**	(717)
Net current assets		**14,314**	14,613
Creditors: amounts falling due after more than one year	8	**(11,861)**	(15,090)
Net assets		**44,035**	44,493
Capital and reserves			
Called up share capital	10	**930**	725
Share premium account	12	**26,172**	21,637
Profit and loss account	12	**16,933**	22,131
Equity shareholders' funds		**44,035**	44,493

The Company reported a loss for the 52 week period ended 29 September 2018 of £5,196,000 (2017: profit of £3,586,000).
The accounting policies and notes on pages 91 to 98 form part of these Financial Statements.

Approved by the Board on 10 December 2018 and signed on its behalf by:

Joanna Allen
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

For the 52 week period ended 29 September 2018

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 2 October 2016	724	21,620	18,424	40,768
Share-based payments	—	—	39	39
Share options granted to subsidiary companies	—	—	82	82
Shares issued	1	17	—	18
Transactions with owners	1	17	121	139
Profit for the period	—	—	3,586	3,586
Balance at 30 September 2017	725	21,637	22,131	44,493
Share-based payments	—	—	(8)	(8)
Share options granted to subsidiary companies	—	—	6	6
Shares issued	205	4,535	—	4,740
Investments gifted to subsidiary companies	—	—	—	—
Transactions with owners	205	4,535	(2)	4,738
Loss for the period	—	—	(5,196)	(5,196)
Balance at 29 September 2018	**930**	**26,172**	**16,933**	**44,035**

The accounting policies and notes on pages 91 to 98 form part of these Financial Statements.

1. Accounting policies

Statement of compliance

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

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the financial year dealt within the Financial Statements of the holding Company was £5,196,000 (2017: £3,586,000 profit) after applying a tax credit (note 9) of £49,000 (2017: £117,000) to the loss before tax of £5,245,000 (2017: £3,469,000 profit).

Going concern

The Financial Statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic Report. The principal risks and uncertainties are set out from page 22. The Financial Reporting council issued "Guidance on the Going Concern based of Accounting and Reporting on solvency and Liquidity risks" in 2016. The Directors have considered this when preparing these Financial Statements.

Management has produced forecasts for all business units which have been reviewed by the Directors. These demonstrate that the Group is forecast to generate profits and cash in 2018/2019 and beyond and that the Group has sufficient cash reserves and bank facilities to enable it to meet its obligations as they fall due for a period of at least 12 months from when these Financial Statements have been signed.

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

Disclosure exemptions adopted

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

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

Investments

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

Intangible assets

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

The following useful lives are applied:

IT systems & Software	3-5 years

1. Accounting policies (continued)

Tangible assets

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

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

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

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

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

Finance leases

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

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

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

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

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

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

All other leases are treated as operating leases.

Post-employment benefit plans

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

1. Accounting policies (continued)

Share-based payments

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

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

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

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

Equity, reserves and dividend payments

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

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

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

Income taxes

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

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

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

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

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

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

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

Deferred tax liabilities are not discounted.

2. Employees

Average weekly number of employees, including Executive Directors:

	2018 Number	2017 Number
Administration	**10**	10
	10	10

Staff costs, including Directors:

	2018 £'000	2017 £'000
Wages and salaries	**966**	914
Social security costs	**119**	115
Other pension costs	**86**	84
Share-based payments	**(8)**	39
Exceptional costs	**416**	89
	1,579	1,241

Further details of Directors' remuneration are provided in the Report of the Remuneration Committee and note 8 to the Consolidated Financial Statements.

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 30 September 2017	41,092
Investments made in the year	31,577
Disposed of in the year	(3,320)
Transferred in the year	(31,577)
Share options granted to subsidiary company employees	6
At 29 September 2018	**37,778**

During the year the investment values for Al-Met Limited, Martract Limited, Quadscot Holdings Limited, Quadscot Precision Engineers Limited and Roota Engineering Limited were transferred, at their book value of £31,577,000, to PT Precision Machined Components Limited, the holding company for the Precision Machined Components Division.

The intercompany balance due to PT plc created by the transfer was subsequently waived and is included as an investment made in the year.

4. Investments in subsidiary companies (continued)

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

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

* Indirectly held subsidiaries

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

Martract Limited is exempt from the requirement of the Companies Act relating to the audit of individual Financial Statements by virtue of s479A of the Companies Act 2006.

5. Intangible fixed assets

	IT systems & software £'000
Cost	
At 30 September 2017	301
Additions	104
At 29 September 2018	**405**
Amortisation	
At 30 September 2017	10
Charge for the period	75
At 29 September 2018	**85**
Net book value	
At 29 September 2018	**320**
At 30 September 2017	291

6. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost				
At 30 September 2017	3,355	443	107	3,905
Additions	—	2	20	22
At 29 September 2018	**3,355**	**445**	**127**	**3,927**
Depreciation				
At 30 September 2017	30	268	20	318
Charge for the period	10	88	27	125
At 29 September 2018	**40**	**356**	**47**	**443**
Net book value				
At 29 September 2018	**3,315**	**89**	**80**	**3,484**
At 30 September 2017	3,325	175	87	3,587

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

7. Debtors

	2018 £'000	2017 £'000
Amounts: falling due within one year		
Prepayments and accrued income	**153**	144
Other debtors	**313**	8
Amounts owed by Group companies	**14,257**	14,575
Deferred tax (note 11)	**67**	18
	14,790	14,745

8. Creditors

	2018 £'000	2017 £'000
Amounts: falling due within one year		
Trade creditors	**187**	237
Other tax and social security	**47**	28
Accruals and deferred income	**653**	325
Other payables	**—**	99
Amounts due on hire purchase contracts	**29**	28
	916	717

	2018 £'000	2017 £'000
Amounts: falling due after one year		
Bank loan	**11,800**	15,000
Amounts due on hire purchase contracts	**61**	90
	11,861	15,090

Details of bank borrowings are set out in note 22 to the Consolidated Financial Statements.

9. Taxation

	2018 £'000	2017 £'000
Current tax		
Current tax credit	—	—
Over provision in respect of prior years	—	(120)
	—	(120)
Deferred tax		
Origination and reversal of temporary differences	(18)	3
Over provision in respect of prior year	(31)	—
Total taxation credit	(49)	(117)

Corporation tax is calculated at 19% (2017: 19.5%) of the estimated assessable profit for the period. Deferred tax is calculated at 17% (2017: 18%).

10. Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in note 26 to the Consolidated Financial Statements.

11. Deferred tax

	2018 £'000	2017 £'000
Opening balance for the period	18	21
Credit for the period	49	(3)
Closing balance for the period	67	18

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

	2018 £'000	2017 £'000
Cost of share options	36	37
Accelerated capital allowance	30	(20)
Other temporary differences	1	1
	67	18

12. Reserves

	Share premium account 2018 £'000	Profit and loss account 2018 £'000	Share premium account 2017 £'000	Profit and loss account 2017 £'000
At beginning of period	21,637	22,131	21,620	18,424
(Loss) / profit for the financial period	—	(5,196)	—	3,586
Share option cost	—	(8)	—	39
Share options granted to subsidiary employees	—	6	—	82
Shares issued	4,535	—	17	—
At end of period	26,172	16,933	21,637	22,131

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

13. Related party transactions

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

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

14. Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

15. Post balance sheet event

Post year-end the Group signed an agreement to sell Greenlane Biogas to Creation Capital, a capital pool company listed on the TSX-V, which is anticipated to conclude in the first quarter of 2019.

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