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This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules, has been issued in connection with the application for Admission. This document does not comprise a prospectus under the Prospectus Rules and has not been approved by or filed with the Financial Services Authority.

Application has been made for all of the Ordinary Shares of Pressure Technologies plc, both issued and to be issued, to be admitted to trading on AIM, a market operated by London Stock Exchange plc. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.**

**A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

**Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.**

**The London Stock Exchange has not itself examined or approved the contents of this document.**

**The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not dealt in on any other recognised investment exchange and, apart from the application for admission to AIM; no other such applications have been or will be made.**

It is expected that Admission will be effective and dealings in the Ordinary Shares will commence on AIM on 6 June 2007.

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# Pressure Technologies plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 06135104)*

## Placing of 6,430,198 Ordinary Shares at 150p per share

(ISIN Number: GB00B1XFKR57)

### Admission to the trading on AIM

#### Nominated Adviser and Broker



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The Directors of Pressure Technologies plc, whose names appear on page 5 of this document, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission.

Brewin Dolphin, which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority, is acting only for Pressure Technologies plc in connection with the Placing and the Admission and is not acting for any other person and will not be responsible to any person other than Pressure Technologies plc for providing the protections afforded to customers of Brewin Dolphin. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and it is not intended to be relied on by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is owed to them.

This document does not constitute an offer to sell or the solicitation of an offer to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities legislation of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exemptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, US persons or any national, resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa, or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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# KEY INFORMATION

*The following information conveys the essential characteristics and risks associated with the Placing and should be read in conjunction with the full text of this document. Any decision to invest in Ordinary Shares should be based on consideration of this document as a whole. Accordingly, you should read the whole of this document, including the Risk Factors set out in Part IV, and not rely solely on the key information set out below.*

## Overview

Pressure Technologies is the holding company for Chesterfield Special Cylinders Limited. CSC designs, manufactures and offers testing and refurbishment services for a range of speciality high pressure, seamless steel gas cylinders for global energy and defence markets. The business has been conducted under the “Chesterfield” brand which is a long established name in the cylinders and specialised pressure vessel market. The Company’s vision is to grow the business through a mixture of organic growth, diversification and acquisition of complementary business to achieve a £40 million turnover business within five years.

Pressure Technologies is seeking to raise £6 million before expenses through the Placing and is seeking admission of its shares to trading on AIM.

## Key Strengths

The Directors believe that the Company has the following key strengths:

- The Company operates in a market where there are significant barriers to entry to any potential competitors. These include:
  - (a) Regulated markets;
  - (b) Design and engineering expertise;
  - (c) Capital Equipment; and
  - (d) Reputation.
- The Company currently has a record order book of approximately £16 million and is aware of further identified projects which the Directors expect it to supply, but for which purchase orders have not as yet been received. This provides a high level of visibility of earnings.
- The Company has supplied high pressure, seamless steel gas cylinders to its chosen market over a long period and has an exemplary track record in relation to cylinder safety and reliability.
- The Company has a strong presence on regulatory bodies which enables it to contribute to new developments and adapt its business accordingly.
- The Directors and the senior managers of the Company have considerable experience in the engineering sector and, more specifically, within the area of pressure related technologies.
- The Company’s workforce is highly flexible which has enabled management to optimise workforce utilisation. This is because over 70 per cent. of the employees of the Company are technically qualified and skilled. In addition, the Company operates an internal training programme and apprenticeship scheme.
- The Company has worked with most of its major customers over a long period and in some cases manages the supply chain relating to their high pressure, seamless steel gas cylinder requirements. The Directors believe that the Company has a good relationship with its customers.
- The Company is able to add value at the design stage of the high pressure seamless steel gas cylinder production process, due to its large library of cylinder design specifications and extensive technical know-how within the business.

## Medium and long-term Strategy

Following Admission, the Company intends to continue its strategy of widening the range of the Company’s activities, as well as enhancing the profit margin by introducing better working practices. Examples which the Board intends to act upon include:

- The Directors have identified various opportunities to enhance margins by bringing in house certain activities that are currently outsourced or bought in, for example the manufacture of fittings, and the leak testing of ultra large cylinder assemblies.
- The Directors believe that there are opportunities to deliver ancillary services to the Company’s existing customers including in situ testing and recertification, particularly in respect of cylinders on deep-sea drilling rigs.

- The Company is exploring diversifying into different areas of operation, but confining this to activities in which the Company's core skills and expertise can be applicable, thereby mitigating some of the risk. The Directors have identified criteria which any acquisitions or capital investment would be required to meet. These are set out in more detail in Section 11 of Part I of this document.

## Summary Financial Information

The summary financial information for the last three financial periods, and the six month results to 31 March 2007 are set out below:

	<b>7 months ended 31 December 2004 £'000</b>	<b>9 months ended 30 September 2005 £'000</b>	<b>Year ended 30 September 2006 £'000</b>	<b>6 months ended 31 March 2007 £'000</b>
Turnover	1,815	2,492	8,170	7,283
Gross profit	711	1,202	2,666	1,926
Operating profit	30	303	1,056	855
Profit on ordinary activities before taxation	7	270	984	800
Net assets	245	510	1,220	1,779
Net cash (outflow)/inflow from operating activities	(476)	1,192	1,146	(826)

Further financial information is set out in Part V of this document.

## Summary of the Placing

Brewin Dolphin has agreed conditionally to place firm a total of 4,000,000 Placing Shares at the Issue Price of 150p per share, representing 35.29 per cent. of the Company's issued share capital following Admission, which will raise approximately £6 million before expenses for the Company. In addition, Brewin Dolphin has agreed to place firm a total of 2,430,198 shares at the Issue Price on behalf of the Selling Shareholders. At the Placing Price the Company will have a market capitalisation of approximately £17 million.

Directors of the Company have agreed to subscribe for 126,666 New Ordinary Shares (a value of £189,999 at the Placing Price) in the Placing.

Application will be made for the whole of the issued ordinary share capital of the Company to be admitted to trading on AIM. No application is being made for any of the Ordinary Shares to be admitted to the Official List of the UK Listing Authority or to the London Stock Exchange's market for listed securities. It is expected that Admission will be effective and dealings in the Ordinary Shares will commence on AIM on 6 June 2007.

## Risk Factors

Investing in the Company involves a degree of risk. Your attention is drawn to the Risk Factors set out in Part IV of this document.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Richard Linford Shacklady John Trevor Saxelby Hayward Jonathan Dudley Clark ACA Nigel Frederick Lockett FCA	<i>Chairman</i> <i>Chief Executive</i> <i>Group Finance Director</i> <i>Non-executive Director</i>
<b>Company Secretary</b>	Jonathan Dudley Clark ACA	
<b>Registered Office</b>	Meadowhall Road Sheffield S9 1BT	
<b>Nominated Adviser and Broker</b>	Brewin Dolphin Securities Limited 34 Lisbon Street Leeds LS1 4LX	
<b>Solicitors to the Company</b>	hlw Commercial Lawyers LLP Commercial House Commercial Street Sheffield S1 2AT	
<b>Reporting Accountants, Tax Advisers and Auditors</b>	RSM Robson Rhodes LLP City Centre Tower 7 Hill Street Birmingham B5 4UU	
<b>Solicitors to the Placing</b>	Watson Burton LLP 1 City Square Leeds LS1 2ES	
<b>Registrars</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	

## PLACING STATISTICS

Issue Price	150p
Number of Ordinary Shares in issue prior to the Placing	7,333,620
Number of Placing Shares being placed on behalf of the Company	4,000,000
Number of Sale Shares being sold pursuant to the Placing	2,430,198
Percentage of enlarged share capital being placed	56.7%
Number of Ordinary Shares in issue following Admission	11,333,620
Estimated gross proceeds of the Placing receivable by the Company	£6 million
Estimated net proceeds of the Placing receivable by the Company	£5.4 million
Market capitalisation of the Company at the Issue Price	£17 million
EPIC Code	PRES

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2007</i>
Publication of Admission Document	31 May
Admission effective and dealings in the Ordinary Shares commence on AIM	6 June
CREST accounts (where relevant) expected to be credited	6 June
Share certificates (where relevant) expected to be despatched no later than	13 June

# PART I

## INFORMATION RELATING TO THE COMPANY

### 1. INTRODUCTION

Pressure Technologies is a newly formed company, which acts as a holding company for Chesterfield Special Cylinders Limited ("CSC").

CSC designs, manufactures and offers testing and refurbishment services for a range of speciality high pressure, seamless steel gas cylinders for global energy and defence markets. The business has been conducted under the "Chesterfield" brand which is a long established name in the cylinders and specialised pressure vessel market. The Company's vision is to grow the business through a mixture of organic growth, diversification and acquisition of complementary business to achieve a £40 million turnover business within five years. Pressure Technologies is seeking to raise £6 million before expenses through the Placing and is seeking admission of its shares to trading on AIM.

### 2. HISTORY AND DEVELOPMENT

CSC has been a leader in the manufacture of high pressure seamless steel gas cylinders for over 100 years. Its origins can be traced back to The Universal Weldless Steel Tube Company Limited which was formed in London in 1897 and was acquired in 1906 by the Chesterfield Tube Company Limited. The name of "Chesterfield" has become synonymous, within the relevant markets, with cylinder manufacturing. Since then the business has undergone a number of changes of corporate ownership and was latterly owned by EuroCylinder Systems GmbH ("ECS") which had acquired the business in 2001, trading as Chesterfield Cylinders Limited. That business comprised two divisions: a high volume low margin manufacturing division for standard, industrial gas cylinders and a speciality manufacturing division.

In advance of the expiry of the lease at the Chesterfield (Derbyshire) site in 2004, ECS sold the capital equipment for the high volume division overseas, and sold the specialised cylinders business to a management buyout team led by John Hayward, the Chief Executive, backed by SYIF and Y&H.

The speciality cylinders business, CSC, was relocated to a 100,000 square foot factory located on 4.4 acres of land adjacent to the M1 in Sheffield, a process which was completed in mid-2005 at a cost of around £1.5 million. This relocation has allowed CSC to re-engineer the business giving a more efficient plant layout, increased productivity and an increased production capacity.

As part of the group restructuring ahead of the AIM flotation, Pressure Technologies was established as the new holding company for the Group.

### KEY STRENGTHS

The Directors believe the business has the following key strengths:

#### Barriers to entry

A number of barriers to entry exist which the Directors believe enhance the Company's ability to maintain and grow its market share in its chosen market, these include:

- Regulated markets;
- Design and engineering expertise;
- Capital Equipment; and
- Reputation.

These are outlined in more detail in Section 6 of Part I of this document.

#### Visibility of earnings

Pressure Technologies currently has a record order book of approximately £16 million for delivery over the period to 2009. In addition, the Company is aware of further identified projects which the Directors expect it to supply, but for which purchase orders have not as yet been received. The order book offers a high degree of earnings visibility in the short to medium term.

### **Excellent reputation**

Pressure Technologies has supplied high pressure solutions to its chosen markets over a long period and has an exemplary track record in relation to cylinder safety and reliability. This record helps to provide assurance to its customers, which operate in industries where the result of product failure can be both life threatening and financially costly.

### **Strong presence on regulatory bodies**

Quality and Technical Director, Alan Harding, is a recognised expert in high pressure seamless, steel cylinders. Either he, or members of his team, are members of working groups which advise the relevant regulatory bodies committees. This presence on regulatory working groups enables Pressure Technologies to contribute to the development of new regulations and to adapt its business accordingly.

### **Strong management team**

The Directors and the senior managers have considerable experience in the engineering sector and, more specifically, within the area of pressure related technologies. Key members of the management team have experience of managing in significantly larger organisations which will prove useful in implementing the Company's growth strategy.

### **Skilled workforce**

Over 70 per cent. of the workforce are technically qualified, with all manufacturing grade employees holding a NVQ Level 2 or higher qualification. In addition to this, the Company operates an internal training programme including an apprenticeship scheme, which is designed to embrace modern manufacturing methods. This training has facilitated a flexible workforce which has enabled management to optimise manpower utilisation. The employees' commitment to the Company is demonstrated by a low staff turnover, with an average length of service of over 10 years and a low level of short-term absenteeism.

### **Strong customer relationships**

The Company has worked with most of its major customers over a long period and in some cases manages the supply chain relating to their high pressure, seamless steel cylinder requirements. For several of its major customers, the Directors believe that Pressure Technologies is either the sole or major supplier of high pressure seamless steel cylinders.

### **Design and technical expertise**

Pressure Technologies has a large library of cylinder design specifications and extensive technical know-how within the business, which enables it to design and produce bespoke cylinders that meet its clients' specific requirements. The Directors believe that the Company's ability to add value at the design stage, combined with its manufacturing and engineering capability, gives Pressure Technologies a competitive advantage.

## **4. PRODUCTS AND SERVICES**

All of the Company's core activities are currently conducted on site at Sheffield. The Company's core activities are the design, manufacture and assembly of high pressure seamless steel cylinders. The characteristics of these cylinders are that they:

- store gas at high pressure, typically over 200 bar (or atmospheres) and up to 1,000 bar;
- have demanding technical specifications, and are sometimes made of non-standard materials;
- are manufactured in low volumes, but with relatively high profit margins; and
- have bespoke design features and are used in difficult or in demanding environments.

Given their uses, these cylinders need to be tested every ten years or, in the case of those holding corrosive or highly toxic gases, every five years. The Company offers testing services and is able to recondition existing cylinders.

The Company's main products and services are described below:

### **Ultra large cylinders**

'Ultra large' describes cylinders with a length of between two and 12 metres, and which have a water storage capacity of between 150 litres and 3,000 litres. These cylinders are used primarily in the following markets:

- Energy (oil and gas): The Company supplies cylinders to the major deep-sea drilling rig equipment manufacturers. The Directors believe that Pressure Technologies is the world's largest supplier of high pressure cylinders in this market;



- Naval: The Directors believe that Pressure Technologies is the exclusive supplier to the Royal Navy for its ultra large high pressure gas storage requirements on submarines and surface ships. Applications range from back-up breathing systems to nuclear reactor valve operating systems. The Company has recently won a major contract with an overseas navy and is tendering to provide the gas storage requirements of a number of other overseas navies;
- Transportation: The shipping of gases by road, rail or sea. Pressure Technologies supplies cylinders that are permanently mounted on the back of trailers for major industrial gas companies; and
- Ground storage: Pressure Technologies manufactures cylinders that provide various static storage solutions. Applications have included:
  - compressed natural gas storage for a Scandinavian municipal transportation system;
  - air storage for a wind tunnel at the Indian Space Research Organisation; and
  - air backup to a hydraulic system at the Oslo Opera House.

The Company is able to design and produce bespoke cylinders to meet customers' specific requirements and has an extensive catalogue of design specifications which it has previously manufactured.

In the year ended 30 September 2006, ultra large cylinders accounted for approximately 83 per cent. of the Company's turnover.

### **Retesting, reconditioning and recertification of cylinders**

It is a statutory requirement that all high pressure seamless steel gas cylinders manufactured to a recognised international standard are retested and recertified every five or ten years, irrespective of the products' end application.

In addition, a customer may require that its cylinders are reconditioned as well as being retested and recertified.

Reconditioning is a major exercise which can involve cylinders being stripped down, shot-blasted, pressure tested, painted, stamped and certified. The Directors believe that Pressure Technologies is the only company in the UK that is able to recondition cylinders with capacities of over 1,000 litres and to retest and recertify ultra large cylinders manufactured to US Department of Transportation regulations. The Company frequently retests, reconditions and recertifies cylinders produced by other manufacturers.

Reconditioning and recertification of cylinders accounted for approximately seven per cent. of turnover in the year to 30 September 2006.

### **Aircraft cylinders**

As a result of space being at a premium in aircraft, these are typically smaller cylinders made from a high strength (up to 1000 megapascals) steel alloy with demanding technical characteristics. Applications include breathing apparatus for pilots, pneumatic applications for emergency system operations and fuel tank explosion prevention systems.

Due to the product applications, the design and manufacture processes are required to undergo rigorous "type-testing" procedures before being certified for use. Due to the time and cost involved in this process to the customer, the Directors believe that it acts as a disincentive to switching suppliers.

Aircraft cylinders made up approximately six per cent. of turnover in the year ended 30 September 2006.

### **Factored products**

These are semi-finished standard industrial gas cylinders in sizes up to 68 litre water capacity that are bought in bulk and resold to customers in small quantities after a limited amount of finishing and inspection. Factored products accounted for approximately four per cent. of turnover in the year to 30 September 2006.

### **High pressure gas trailer refurbishment**

Gas trailers are trailers with a number of fixed cylinders interconnected by pipe work mounted on a chassis. In late 2006, Pressure Technologies introduced a refurbishment service for high pressure gas trailers. The Company takes delivery of the trailer to be refurbished and outsources the chassis refurbishment to a third party specialist. Pressure Technologies reconditions the cylinders, ancillary pipe work and fittings, and then re-assembles the trailer on site before final recertification of the complete trailer.

This is a new activity and accounted for two per cent. of turnover in the six months to 31 March 2007.

## **5. MARKET OVERVIEW**

### **Energy (oil and gas)**

The market for supplying cylinders to the oil and gas sector continues to experience considerable growth. The depletion of existing oil and gas resources, allied to increases in energy demand and the consequent rise in prices, has made sourcing more remotely located supplies of oil and gas, such as in deep-sea locations, more economically viable. The extent of the shortage of deep-water rigs is so great that daily rental fees for drilling vessels doubled between June 2005 and December 2006 to as much as \$520,000 per day. It is estimated that approximately 50 floating production systems have been ordered in the last year to complement the existing fleet of 179 vessels and it is estimated that over the next few years expenditure on deep-water drilling will almost double to \$65 billion by 2010.<sup>1</sup>

Although oil supplies are predicted to grow up until 2009, global oil demand is also predicted to increase, offsetting this increase in supply and supporting the recent prediction that the price of oil is expected to average \$62 per barrel during 2007 compared to \$60 per barrel for 2006.<sup>2</sup> This supports the Directors' view that the current demand for deep-sea rigs, which has been the key driver of revenue growth for Pressure Technologies, is set to continue<sup>3</sup>. Pressure Technologies has orders of over £13 million in this sector and is aware of many more projects, for which it is tendering.

Oil rigs are subject to regular test cycles (reclassification) which involves the rigs being towed to a dry dock where they under go extensive testing. Due to the high cost of dismantling a cylinder from an oil rig and shipping it to a testing facility the Company is exploring an opportunity to provide on-site testing for these customers as detailed in Section 11 of Part I of this document.

### **Defence**

Pressure Technologies has a long history of supplying the Royal Navy with its high pressure storage requirements on submarines and surface vessels, with applications ranging from back-up breathing and weapon systems to nuclear reactor valve operating systems. Increasingly, Pressure Technologies is also supplying other Navies around the World.

Pressure Technologies supplies the Royal Air Force with products incorporated into breathing apparatus for pilots, pneumatic applications for emergency system operations and fuel tank explosion prevention systems. Pressure Technologies also re-tests aircraft cylinders and provides post production design services.

Defence work is largely project based and therefore revenue from this source is irregular in nature. The Company is tendering for a number of identified contracts which are due for delivery over the short to medium term. There are a number of publicly announced programmes, e.g. two aircraft carriers, up to four Astute class submarines and the new Trident Class submarine programme. The Directors believe that Pressure Technologies is in a strong position to win the contracts to supply the high pressure storage requirements on some or all of these programmes. Although defence represented a small proportion of the Company's revenues in year ended 30 September 2006, it is a business which attracts higher margins.

### **Transportation**

The transportation of gas is a regulated sector with a key emphasis on safety. Gas transporters have to follow strict regulations which include rules governing maintenance of gas containers and related fittings. Pressure Technologies supplies a range of cylinders for the transportation of gas and is authorised to carry out retesting and recertification work on the existing stock. Pressure Technologies now receives contracts to refurbish gas trailers, ensuring that the trailer conforms with the relevant European regulations.

### **Ground storage**

Pressure Technologies manufactures ultra large cylinders to provide a range of static storage solutions for a diverse range of end applications including the buffer storage of compressed natural gas. This requires cylinders able to withstand up to 400 bar working pressure and which are normally classified as ultra large.

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1 Bloomberg 20 December 2006 – Joe Carroll

2 EIA Short-Term Energy Outlook (6 March 2007)

3. Douglas Westwood – The World Offshore Oil and Gas Production and Spend Forecast 2006-2010

## 6. BARRIERS TO MARKET ENTRY

The Directors believe that there are significant barriers to entry in Pressure Technologies' chosen markets, which strengthen the Company's position. These are set out below:

### Regulated market

Given the applications of Pressure Technologies' manufactured products, the market in which it operates is regulated. All cylinders must be manufactured and retested in accordance with the appropriate technical and safety standards. Pressure Technologies maintains accreditations with several relevant regulatory bodies and an independent third-party inspection body is present on site to issue compliance certification. The Company has the expertise, experience and quality of staff to ensure that all production meets the standards required by regulation. The Directors believe that it would be difficult for a new entrant to the market to achieve the necessary accreditations and the commercial acceptance of customers in the short term.

### Design and engineering expertise

Pressure Technologies has been designing and manufacturing cylinders for over 100 years and has accumulated knowledge and experience over this time. The key management and many of the shop floor workers have been working for the business for a significant period and their practical knowledge and expertise is substantial. This manifests itself in quality production practices, design techniques and the ability to help customers in framing solutions for their individual requirements. When initiating a design process, Pressure Technologies can assess the customer's requirements and then draw from an extensive design catalogue which, when combined with the knowledge of the skilled workforce, is able to produce tailored products that meet the customer's requirements.

### Capital equipment

The capital equipment required in the manufacture of high pressure seamless steel gas cylinders is bespoke equipment that does not have many alternative uses. The Directors estimate that the cost of replacing the equipment in the Sheffield manufacturing facility would be approximately £9 million. It would require a significant investment by a potential competitor to enable it to manufacture high pressure seamless steel gas cylinders, and the Directors believe that this may act as a deterrent to a potential investor entering into Pressure Technologies' chosen markets.

### Reputation

The storage of gases at high pressure can be a potentially hazardous activity and demands rigorous application of standards in both the production and operation of high pressure cylinders. Buyers of such products are typically conservative in their selection of suppliers in which price is but one of a number of factors, including manufacturer reputation, design capability and reliability, that has a bearing on their decision. Pressure Technologies is able to demonstrate a strong safety track record as well as technical competence and longevity in the sector. New entrants to the market may find it hard to demonstrate that they have the required quality of products and are therefore likely to take a long time to establish themselves in the market.

## 7. MANUFACTURING FACILITIES

In 2005, Pressure Technologies relocated to their current site in Sheffield which encompasses a 100,000 square foot factory on 4.4 acres of land. Whilst the move involved major disruption, it allowed the production facilities to be designed and structured in a way that delivers work flow efficiency. The on-site facilities enable the manufacture and reconditioning of a large range of cylinders from small to ultra large. Other than heat treatment, the Company is able to perform all aspects of the manufacturing and retest of high pressure seamless steel gas cylinders in-house. Furthermore it has the ability to buy in partly finished cylinders, which gives it flexibility in production capability.

## 8. OPERATIONAL PROCESSES

The operational processes of the Company include the following core competencies:

- *Design* – The ability to design bespoke products to suit the customer's needs, including final assembly, supported by Computer Aided Design ("CAD") techniques and product development testing facilities.
- *Metal Forming* – Facilities include hot die forging and swaging, multi pass cold extrusion and deep drawing with associated material handling and pre-heating equipment.
- *Machining* – Extensive capabilities include; finish machining including turning and boring of long length tubulars, profile turning of cylinder ends, thread cutting on computer numerically controlled ("CNC") machinery, CNC turning, five axis machining of finished components on multi axis twin spindle equipment.
- *Surface Conditioning* – Facilities include rotary internal and external shotblasting of cylinders, chemical plating of high integrity products, application of corrosion resisting paints using dedicated in line and offline spray and dry equipment.

- *Assembly* – In-house capability to fully finish and assemble cylinders into manifolded packs, skids and trailers suitable for direct shipment to in-service locations. These assemblies can weigh up to 24 tonnes and be up to 12 metres in length.
- *Testing* – Facilities for testing cylinders including mechanical material testing, ultrasonic testing, dye penetrant testing, pressure testing, leak testing and other proprietary product tests which conform to the required industry standards.

These processes are not necessarily limited to the manufacture of cylinders and the Directors are actively looking at opportunities whereby these processes can be used in other applications.

## **9. KEY CUSTOMERS**

The current demand from the energy sector, and Pressure Technologies' relationship with the major deep-sea drilling rig suppliers, means that approximately 60 per cent of the Group's turnover in the year ended 30 September 2006, and approximately 80 per cent. of the current order book are with customers in this sector.

The top ten customers account for 88 per cent. of the Group's turnover. These customers are predominantly large, established businesses, and the Group's experience of losses from bad debt is negligible. The Directors believe that the Company enjoys good trading relationships with these customers.

## **10. KEY SUPPLIERS**

Steel is the major raw material used in cylinder production. It is purchased in the form of tubes, to use in ultra large cylinders, or tubes and plates for smaller aircraft cylinders. There are a small number of these suppliers of hot-finished seamless steel tubes in the world and the Company deals with most of them in order to avoid reliance on any one source of supply.

The Company also sources semi-finished, heat treated ultra-large forgings from two of its competitors for use in the production of ultra-large cylinders. This has allowed the Company to take advantage of increased sales volumes without major investment in additional forging and heat treatment facilities.

The Directors believe that the Company enjoys good trading relationships with these suppliers.

## **11. STRATEGY**

Following Admission, the Company intends to continue its strategy of widening the range of the Company's activities, as well as enhancing the profit margin by introducing better working practices. Since the management buy-out in 2004, the Company has proactively expanded the sphere of its operations – most recently with the trailer refurbishment activity. Its stated strategy is to develop the Company into a £40 million turnover business within five years.

The Company intends to adopt the following actions to achieve this objective:

### **Profit enhancement**

Since the management buy-out and relocation the Company has enhanced profits by installing improvements in plant layout and adopting better working practices. The Directors have identified further opportunities to enhance margins by bringing in house certain activities that are currently outsourced or bought in, for example the manufacture of fittings, and the leak testing of ultra large cylinder assemblies.

### **Organic opportunities**

In addition to continuing to sell cylinders to existing customers, the Directors see opportunities to deliver ancillary services to the same customers. These services include in situ testing and recertification, particularly in respect of cylinders on deep-sea drilling rigs. The Company is also developing a product offering with a company involved in assessing maintenance requirements for large capital assets such as oil rigs.

The Directors believe there are further opportunities to develop cylinders made from other materials, e.g. composites. The Company will look to grow its operations in existing markets, including trailer refurbishment, and will look to expand its operations into new geographical regions.

### **Acquisitions and diversification**

The Company is exploring diversifying into different areas of operation, but confining this to activities in which the Company's core skills and expertise can be applicable, thereby mitigating some of the risk. The Directors have identified a set of criteria which any acquisitions or capital investment would be required to meet:

- based in related engineering, manufacturing or services sectors;
- supplies markets which are currently supplied by the Company;

- benefit from design, technical or engineering skills possessed by the Company; and
- would be earnings enhancing.

## 12. SUMMARY FINANCIAL INFORMATION

The summary financial information for the last three financial periods, and the six month results to 31 March 2007 are set out below:

	7 months ended 31 December 2004 £'000	9 months ended 30 September 2005 £'000	Year ended 30 September 2006 £'000	6 months ended 31 March 2007 £'000
Turnover	1,815	2,492	8,170	7,283
Gross profit	711	1,202	2,666	1,926
Operating profit	30	303	1,056	855
Profit on ordinary activities before taxation	7	270	984	800
Net assets	245	510	1,220	1,779
Net cash (outflow)/inflow from operating activities	(476)	1,192	1,146	(826)

Further financial information is set out in Part V of this document.

## 13. REASONS FOR ADMISSION AND THE PLACING

The key reasons for seeking Admission at this time are as follows:

- to provide working capital for the Company's future organic growth;
- to provide flexibility in order to facilitate future acquisitions;
- to facilitate the repayment of outstanding venture capital debt;
- to provide liquidity and a value to the Company's equity which, in conjunction with the Share Option Schemes, will help to motivate and retain key senior employees; and
- to provide a partial exit for existing investors.

## 14. DIVIDEND POLICY AND FINANCIAL REPORTING

As a newly incorporated company, the Company has neither declared nor paid any dividends to date. In the short term the Directors are committed to building the business of the Company and accordingly propose that for the year ending 30 September 2007 all profits will be reinvested. The Directors anticipate that the shares' dividend yield will be approximately 2.5 per cent. based on the Issue Price and for the split of interim to final dividend to be in the proportion of one-third: two-thirds. The first dividend is expected to be declared in relation to the interim period for the six months ending 31 March 2008. The Directors intend to adopt a progressive dividend policy appropriate to the Company's financial performance in the medium term.

The Company's financial year will run to 30 September each year. It is anticipated that the preliminary statement of results for each year will be announced during January and that an interim statement of the results for the first half-year will be announced during July each year. It is intended to hold the Company's annual general meeting during March of each year.

## FURTHER INFORMATION

**Your attention is drawn to the further information set out in Parts II to VI of this document, including the risk factors set out in Part IV. You are advised to read the whole of this document rather than relying on the summary information set out on pages 3 to 4 of this document.**

## PART II

### INFORMATION ON THE PLACING AND ADMISSION

#### 1. DETAILS OF THE PLACING

Brewin Dolphin, as agent for the Company, has agreed conditionally to place firm a total of 4,000,000 Placing Shares at the Issue Price of 150p per share, representing 35.29 per cent. of the Company's issued share capital following Admission, which will raise £6 million before expenses for the Company.

In addition, Brewin Dolphin has agreed to place firm a total of 2,430,198 Existing Ordinary Shares at the Issue Price on behalf of the Selling Shareholders.

The Placing Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and distributions declared, paid or made after the date of this document.

Directors of the Company have agreed to subscribe for 126,666 New Ordinary shares (a value of £189,999 at the Issue Price) in the Placing.

#### 2. USE OF PROCEEDS

The net proceeds of the Placing will be utilised by the Company as follows:

	<b>£ million</b>
Debt repayment	0.3
Working capital	1.2
Organic and acquisitive growth	3.9
Flotation costs	0.6
	<hr/>
Total new funds	6.0
	<hr/> <hr/>

#### 3. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

Under the terms of the Lock-In Agreements each of the Directors, John Brown, Philip Catton, Philip Redfern and Alan Harding has undertaken that, save in certain specified circumstances, he will not during the period of one year following Admission dispose of any interest in any Ordinary Shares held by him. Thereafter, any such disposal that takes place at any time prior to the date which falls on the third anniversary after the date of Admission shall only be made through Brewin Dolphin.

Under the terms of a separate Lock-in Agreement, SYIF and Y&H have each undertaken that, save in certain specified circumstances, they will not during a period of one year following Admission dispose of any interest in the Ordinary Shares held by them. Thereafter, any such disposal that takes place at any time prior to the date which falls on the second anniversary after the date of Admission shall only be made through Brewin Dolphin.

Further details of the Placing Agreement are set out in paragraph 9.1 of Part VI of this document.

#### 4. ADMISSION AND DEALINGS

Application will be made for the whole of the issued ordinary share capital of the Company to be admitted to trading on AIM. No application is being made for any of the Ordinary Shares to be admitted to the Official List of the UK Listing Authority or to the London Stock Exchange's market for listed securities.

It is expected that Admission will be effective and dealings in the Ordinary Shares will commence on AIM on 6 June 2007.

#### 5. CREST

The Directors have organised with CRESTCo for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, if the relevant shareholders so wish. Crest is a paperless settlement procedure which allows securities to be evidenced without a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will so be admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons acquiring Ordinary Shares under the Placing may, however, elect to receive Ordinary Shares in un-certificated form if, but only if, that person is a "system member" (as defined in The Uncertificated Securities Regulations (2001)) in relation to CREST.

## **6. VCT TAX RELIEFS**

The Company has received provisional assurance from HM Revenue & Customs that the Company will be a "qualifying holding" for the purposes of investment by Venture Capital Trusts ("VCT") which raised funds prior to April 2006.

The continuing status of the Placing Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company.

Although the Company presently expects to satisfy the relevant conditions contained in the VCT legislation, neither the Company nor the Directors make any warranty or give any undertakings that relief will be available in respect of any investment in the New Ordinary Shares pursuant to this document, nor do they warrant or undertake that the Company will keep its qualifying status or that, once given, such relief will not be withdrawn.

Investors considering taking advantage of any of the relief available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances.

Details of other relevant taxation provisions are set out in Section 12 of Part VI of this document.



## PART III

# DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

## 1. DIRECTORS

The Board currently comprises the Directors outlined below. The Board will look to appoint further directors in future as and when appropriate in the context of the size of the Company and its requirements.

### **Richard Shacklady – Non-executive Chairman, aged 58**

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

### **John Hayward – Chief Executive, aged 45**

John has worked for the Company for almost 10 years, initially as Finance Director of Chesterfield Cylinders Limited before assuming additional directorial responsibility for the then Special Products division in 2000. He led the MBO in 2004 and then assumed the role of Chief Executive. John is a qualified accountant and has previously worked for Boots, Courtaulds, United Engineering Steels (“UES”) and T&N. At Courtaulds, he was responsible for managing divisional currency and commodity exposure. His experience at UES led to taking responsibility for divisional steel purchasing at T&N and Chesterfield Cylinders. Latterly at T&N, he worked as an internal consultant and was brought to Chesterfield Cylinders as a result of his experience of automotive sector management techniques. He holds a degree in Physics from Oxford University.

### **Jonathan Clark – Group Finance Director, aged 50**

Jonathan qualified as a chartered accountant with Arthur Andersen. He then obtained extensive experience of corporate finance transactions, including acquisitions and share issues, as a corporate finance specialist at County NatWest, BWD Rensburg and Singer & Friedlander. In recent years Jonathan has undertaken specialist financial management and corporate strategy projects as an interim manager and independent consultant across a range of industries for a variety of clients. Jonathan joined as Group Finance Director in January 2007.

### **Nigel Luckett – Non-executive Director, aged 64**

Nigel is a former partner of Thomson McLintock & Co and latterly KPMG and has over 40 years of extensive corporate finance, insolvency and auditing experience. Since his retirement from KPMG in 1995 he has had a number of non-executive director and chairman positions in the broad engineering sector. Nigel is a qualified chartered accountant.

## 2. SENIOR MANAGERS

### **Alan Harding – Quality and Technical Director, aged 51**

Alan has worked in quality control within the business for 18 years. He initially worked within the small cylinder division and has recently (since 2004) taken up the role as Quality and Technical Director for the entire Group. Alan is one of only a few people in the UK with the appropriate experience to train inspectors to carry out “in situ” inspections of cylinders for the Royal Navy. Alan sits on the working groups which advise various technical and regulatory committees.

### **Philip Redfern – Sales and Marketing Director, aged 56**

Philip joined Davy McKee as a graduate trainee in 1974. After two years as an engineering apprentice he progressed to the position of Area Sales Manager. Upon leaving Davy McKee in 1984, Philip worked in sales for a number of engineering firms before joining Chesterfield Cylinders in 1997 as the Sales and Marketing Manager for the Special Products Division. In 2004 Philip was part of the management buy-out team and was appointed Sales Director of CSC. Philip has an honours degree in applied chemistry.

### **John Brown – Operations Director, aged 56**

John joined the Company as an apprentice in 1968 and spent some time at Bird Machine in Boston, USA, as a technician as part of his training. John initially worked as a development engineer and progressed within CSC to become Operations Director in 2006. John has an honours degree in Mechanical Engineering.



### **Philip Catton – Production Director, aged 49**

Philip joined the Company in 1986 having previously worked for a number of engineering firms including Markham Engineering and Aerospeed Engineering. He initially worked as a CNC machine programmer/operator, progressing within the Company to become Production Director and was part of the management buy-out of the Company in 2004.

The Directors believe that the existing team is capable of guiding the Company through the next phase of its development, however the Directors are conscious of the need for management succession and have actively recruited employees who have the potential to contribute as members of the senior management team. The Directors also consider that, in the longer term, a number of more junior employees have the skills and potential to contribute to the senior management team.

### **3. EMPLOYEES SHARE PLANS**

The Directors also consider that the Share Option Schemes detailed in paragraph 10 of Part VI of this document will assist in attracting, retaining and incentivising employees with the skills required by the Company.

The Company has set up two Share Option Schemes – a senior management scheme for key members of management, and a SAYE Scheme for which all employees are eligible. A maximum of 10 per cent. of the share capital is capable of being put under option. No share options will be issued pre-flotation. The Remuneration Committee will be responsible for considering the award of options.

Further details of the Schemes are set out in Section 10 of Part VI.

### **4. CORPORATE GOVERNANCE**

The Board fully supports the underlying principles of corporate governance contained in the Combined Code. Notwithstanding that it is not required to comply with such recommendations. It has sought to comply with the provisions of the Code, in so far as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness.

The main features of the Company's corporate governance procedures, which do not constitute full compliance with the Combined Code, are as follows:

- the Board has two independent non-executive directors;
- the Company has a nominations committee which consists of the Chief Executive and the two non-executive directors, and an audit committee and a remuneration committee which consist of the two non-executive directors which will meet regularly with executive directors in attendance by invitation. The audit committee has unrestricted access to the Group's auditors and will ensure that auditor independence has not been compromised;
- all business activity is organised within a defined structure with formal lines of responsibility and delegation of authority, including a schedule of "matters referred to the Board"; and
- regular monitoring of key performance indicators and financial results together with comparison of these against expectations.

#### **Audit Committee**

The Company has established an Audit Committee composed of the non-executive directors and chaired by Nigel Lockett. The Audit Committee will meet not less than three times per 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.

#### **Remuneration Committee**

The Company has established a Remuneration Committee currently composed of the non-executive directors and chaired by Nigel Lockett. It will review 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 the interest of shareholders. The Remuneration Committee 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.

**Nomination Committee**

The Company has established a Nomination Committee currently composed of John Hayward and the non-executive directors, and chaired by Richard Shacklady. The Nomination Committee will meet at least twice a year and at such other times as the Chairman of the Committee shall require and 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 Company has adopted the Model Code for Directors' dealing as set out in the Listing Rules of the UK Listing Authority and as applicable to AIM companies and will take all reasonable steps to ensure compliance by Directors and relevant employees in due course.

# PART IV

## RISK FACTORS

*Investing in the Company involves a degree of risk. You should carefully consider the risks and the other information contained in this document before you decide to invest in the Company. You should note that the risks described below are not the only risks faced by the Company, and that there may be additional risks that the Directors currently consider not to be material or of which they are not presently aware.*

### 1. GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Group's prospects.

### 2. RISKS RELATING TO THE GROUP AND ITS BUSINESS

#### Retention of key employees

The future development of the Company depends on its Directors and key senior employees and the loss of the services of any of these individuals could damage the Company's business. The Company may in future need to attract senior employees with the appropriate skills and expertise. The failure of this could have a detrimental effect on the development of the Company.

#### Management of growth

The Directors are anticipating that sales will increase significantly following Admission. To enable the Company to respond to market opportunities and to implement its strategy will require effective planning and management control systems. The Company's growth plans may place a significant strain on its management, operational and financial resources. Accordingly, Pressure Technologies' future growth and prospects will depend on its ability to manage this growth.

#### VCT relief

The Company has received provisional assurance from HM Revenue and Customs that it is a qualifying holding for VCTs which raised funds prior to April 2006. Although the Company presently expects to satisfy the relevant conditions contained in the VCT legislation, neither the Company nor the Directors make any warranty or give any undertaking that relief will be available in respect of any investment in the Ordinary Shares pursuant to this document, nor do they warrant or undertake that the Company will keep its qualifying status throughout the relevant period or that, once given, such relief will not be withdrawn.

#### Future capital requirements

The Company may be required to conduct further fundraising exercises in the future in order to develop its business, fund potential acquisitions and sustain cash resources. It is difficult for the Directors to predict the timing and amount of the Company's capital requirements with accuracy. Any additional equity finance may be dilutive to Shareholders. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

#### Ability to source investment opportunities

There can be no guarantee that the Company will be able to source suitable acquisitions. Changes in the sector and general economic market conditions may influence the number of motivated buyers for acquisition targets identified by the Company. This may impact upon the Company's ability to make acquisitions at prices that are considered to be attractive.

### **Competitive pressures**

While the Directors believe that Pressure Technologies is well equipped to protect its competitiveness in its chosen market, there is no guarantee that its competitors will not attempt to sell a similar product and thereby erode Pressure Technologies' market share. If this were to happen, the Company could achieve lower revenues than those anticipated by the Directors and could be prevented from exploiting all the opportunities in the market.

### **Long lead times for raw materials**

The main raw material used in the construction of pressure cylinders is steel tube, which can have a supply lead time of up to twelve months. Although Pressure Technologies deliberately spreads its orders of steel tube amongst three main suppliers in order to reduce dependency on any one supplier, failure to procure sufficient quantities and/or the late delivery of steel tube could impair Pressure Technologies' ability to meet its own customer requirements, or result in Pressure Technologies being liable to pay damages to its customers for late delivery.

### **Pressure Technologies derives a high proportion of its sales from a small number of key customers in one market sector**

In the financial year ended 30 September 2006, approximately half of the Company's turnover was derived from two major customers in the oil and gas exploration sector and at present c £13.8 million of the c £16 million order book is with these customers. In the event that orders placed in the future by these key customers fall below the Directors' expectations, or orders are cancelled or deferred to a later delivery date, the Company's prospects and financial performance may be adversely affected. Orders from the Company's two major customers are conducted under framework agreements which operate under foreign legislation and for which the Company took no overseas legal advice. Whilst the working relationship with both customers is considered by the Directors to be good, in the event of a dispute with either of these customers, it is unclear whether or not the terms of the framework agreement would be enforceable by the Company. Furthermore, there is no certainty that the Company would be entitled to any compensation in the event of a cancelled order.

### **The Company's operations expose it to the risk of health and safety liabilities**

It is the policy of the Company to ensure that its employees work in as safe an environment as possible and that the risk and incidence of industrial accident or injury is minimised. Nevertheless, there are certain hazards associated with its manufacturing activities. Although the Company's experience of adhering to Health and Safety Regulations is good, future occurrences of industrial accidents could result in financial liabilities or penalties or a prolonged suspension of production.

### **The Company operates from a single manufacturing site**

The Company operates from a single manufacturing site in Sheffield. In the event of a prolonged interruption to operations at this site, Pressure Technologies may not have the ability to transfer its manufacturing activities to other facilities and may not be able to meet the demand for its products from customers and prospective customers, potentially eroding its market position.

### **Infrastructure limitations**

The Company relies on the uninterrupted operation of its IT, manufacturing and other systems for the proper running of its business and operations. Any significant breakdown of, or disruption to, these systems could have an adverse effect on production or the effective control of its commercial operations and risks and could have a material adverse effect on the Company's business, financial performance and prospects.

### **The supply of energy may be subject to disruption or price fluctuation**

Gas and electricity supplies are required for the operation of the Company's plant and production processes. Whilst the Group has entered into purchasing agreements that provide an element of price stability in the short term, increasing energy costs in particular may impact on trading margins if they cannot be passed on to customers.

### **Key man insurance**

The Company has a small executive senior management team and operating board and the loss of any member of that team could be detrimental to the business. The Company currently has key man insurance in place for the Chief Executive, the Operations Director and the Sales and Marketing Director. However the Board will continually review the adequacy of the policies currently in place.

### **The Company is subject to the risk of foreign currency exchange rate fluctuations**

The Company purchases its raw materials in both US Dollars and Euros and receives payment for some of its products in Euros, however most payments are received in Sterling. After netting off foreign currency receipts and payments there is a net exposure to the risk of currency movements both in US Dollars and Euros.

The Company has a bank facility of £500,000 with which to place forward contracts, however, this is insufficient to hedge the full exposure. The Directors intend to re-negotiate this facility following the Admission.

## **3. RISKS RELATING TO THE ORDINARY SHARES**

### **Investment risk in AIM**

The Ordinary Shares will be traded on AIM and no application is being made for the admission of the Ordinary Shares to the Official List. AIM has been in existence since June 1995 but admission to AIM should not be taken as to imply that there is or will be a liquid market in the Ordinary Shares. AIM is a market designed for small and growing companies. Both types of company carry higher than normal financial risk and tend to experience lower levels of liquidity than larger companies.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may not therefore recover their original investment.

### **There has been no prior market for the Ordinary Shares**

Prior to Admission there has been no public market for the Ordinary Shares. The Company cannot predict the extent to which an active market for the Ordinary Shares will develop or be sustained after Admission, or how the development of such a market might affect the market price of the Ordinary Shares. An illiquid market for the Ordinary Shares may result in lower trading prices and increased volatility, which may adversely affect the value of an investment in the Ordinary Shares.

### **The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, many of which may be out of the Company's control**

The share price of publicly traded companies can be highly volatile. The price at which the Ordinary Shares may be quoted and the price which Shareholders may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its operations and some which may affect the industry as a whole or quoted companies generally. These factors include those referred to in this Part IV, as well as the Group's financial performance, the impact of Shareholders being released from lock-in restrictions, stock market fluctuations and general economic conditions. Share price volatility arising from such factors may adversely affect the value of an investment in the Ordinary Shares.

## **PART V**

# **FINANCIAL INFORMATION ON THE COMPANY FOR THE FINANCIAL PERIODS ENDED 31 MARCH 2007**

## **CONTENTS**

- A Accountants' Report on Pressure Technologies plc
- B Accountants' Report on CPSG

## SECTION A

### ACCOUNTANTS' REPORT ON PRESSURE TECHNOLOGIES PLC

**RSM! Robson Rhodes**

RSM Robson Rhodes LLP  
Centre City Tower, 7 Hill Street, Birmingham B5 4UU

31 May 2007

The Directors  
Pressure Technologies plc  
Meadowhall Road  
Sheffield  
South Yorkshire  
S9 1BT

The Directors  
Brewin Dolphin Securities Limited  
34 Lisbon Street  
Leeds  
LS1 4LX

Dear Sirs

#### **Pressure Technologies plc (formerly Pressure Technologies Limited) (“the Company”)**

#### **Introduction**

We report on the financial information relating to the Company, as set out below, prepared for inclusion in the Admission Document dated 31 May 2007 (the “Admission Document”) of the Company relating to the admission of the Company’s share capital to trading on AIM, a market regulated and operated by the London Stock Exchange plc. This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 2 to the financial information below. This report is required by Paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that requirement and no other purpose.

#### **Responsibility**

The Directors of the Company are responsible for preparing the financial information in accordance with Generally Accepted Accounting Practice in the United Kingdom (“UK GAAP”).

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Audit Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

#### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 31 May 2007, a true and fair view of the state of affairs of the Company as at the date stated and is in accordance with the basis of preparation and UK GAAP as described in note 2.

## Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

## RSM ROBSON RHODES LLP

### 1. BALANCE SHEET

	<b>As at 31 March 2007 £'000</b>
Prepayments	158
Creditors: Amounts falling due within one year	(158)
	<hr/>
Total assets less current liabilities	-
	<hr/> <hr/>
Capital and reserves	
Share capital	-
	<hr/>
Shareholders' funds	-
	<hr/> <hr/>

The Company did not trade from its incorporation to 31 March 2007.

### 2. NOTES TO THE FINANCIAL INFORMATION

#### Introduction

The Company was incorporated as Pressure Technologies Limited on 2 March 2007. The Company has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since its incorporation.

#### Accounting policies and basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with UK GAAP.

#### Share capital

The total authorised share capital of the Company on incorporation was £1,000 comprising 1,000 ordinary shares of £1 each and 2 subscriber shares of £1 each were issued.

#### Post balance sheet events

On 18 May 2007, the Company sub-divided its share capital from £1 ordinary shares to 5p ordinary shares, resulting in authorised share capital of 20,000 5p ordinary shares and issued share capital of 40 ordinary shares of 5p. On the same day, the Company increased its authorised share capital from 20,000 5p ordinary shares to 15,000,000 5p ordinary shares.

On 21 May 2007, the Company acquired the entire issued share capital of CPSG under the terms of a share for share exchange, increasing the Company's issued share capital to £366,681, being 7,333,620 ordinary shares of 5p.

On 23 May 2007, the Company passed a special resolution to re-register as a public limited company. The Company's re-registration was confirmed by Companies House on 25 May 2007.



## SECTION B – ACCOUNTANTS’ REPORT ON CPSG

# RSM Robson Rhodes

RSM Robson Rhodes LLP  
Centre City Tower, 7 Hill Street, Birmingham B5 4UU

31 May 2007

The Directors  
Pressure Technologies plc  
Meadowhall Road  
Sheffield  
South Yorkshire  
S9 1BT

The Directors  
Brewin Dolphin Securities Limited  
34 Lisbon Street  
Leeds  
LS1 4LX

Dear Sirs

### **CPSG**

#### **Introduction**

We report on the financial information relating to CPSG, as set out below, prepared for inclusion in the Admission Document dated 31 May 2007 (the “Admission Document”) of Pressure Technologies plc (“the Company”) relating to the admission of the Company’s share capital to trading on AIM, a market regulated and operated by the London Stock Exchange plc. This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 4.1 to the financial information below. This report is required by Paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that requirement and no other purpose.

#### **Responsibility**

The Directors of CPSG are responsible for preparing the financial information in accordance with Generally Accepted Accounting Practice in the United Kingdom (“UK GAAP”).

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

## **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 31 May 2007, a true and fair view of the state of affairs of CPSG as at the date stated and is in accordance with the basis of preparation and UK GAAP as described in note 4.1.

## **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

## 1. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The consolidated profit and loss account of CPSG for the periods ended 31 December 2004, 30 September 2005, 30 September 2006 and 31 March 2007 are set out below.

	Notes	7 months ended 31 December 2004 £'000	9 months ended 30 September 2005 £'000	Year ended 30 September 2006 £'000	6 months ended 31 March 2007 £'000
Turnover	4.2	1,815	2,492	8,170	7,283
Cost of sales		(1,104)	(1,290)	(5,504)	(5,357)
Gross profit		711	1,202	2,666	1,926
Administrative expenses		(681)	(899)	(1,624)	(1,071)
Other operating income		–	–	14	–
Operating profit		30	303	1,056	855
Interest receivable and similar income		8	24	15	10
Interest payable and similar charges	4.5	(31)	(57)	(87)	(65)
Profit on ordinary activities before taxation	4.3	7	270	984	800
Taxation on profit on ordinary activities	4.6	18	(5)	(274)	(241)
Profit on ordinary activities after taxation	4.15	25	265	710	559
Dividends		–	–	–	–
Retained profit for the year		25	265	710	559

There are no other recognised gains and losses other than those included within the profit and loss account. Accordingly, no statement of total recognised gains and losses has been presented.

## 2. CONSOLIDATED BALANCE SHEETS

The consolidated balance sheets of CPSG as at 31 December 2004, 30 September 2005, 30 September 2006 and 31 March 2007 are set out below.

	<b>Note</b>	<b>As at 31 December 2004 £'000</b>	<b>As at 30 September 2005 £'000</b>	<b>As at 30 September 2006 £'000</b>	<b>As at 31 March 2007 £'000</b>
<b>Fixed assets</b>					
Tangible fixed assets	4.7	394	1,296	1,557	1,561
Intangible fixed assets	4.8	(32)	(17)	–	–
		<u>362</u>	<u>1,279</u>	<u>1,557</u>	<u>1,561</u>
Current assets					
Stocks	4.9	518	934	1,281	1,947
Debtors	4.10	1,714	1,075	3,366	4,968
Cash at bank and in hand		557	441	998	735
		<u>2,789</u>	<u>2,450</u>	<u>5,645</u>	<u>7,650</u>
Creditors:					
Amounts falling due within one year	4.11	(1,545)	(1,979)	(4,898)	(6,469)
Net current assets		<u>1,244</u>	<u>471</u>	<u>747</u>	<u>1,181</u>
Total assets less current liabilities		<u>1,606</u>	<u>1,750</u>	<u>2,304</u>	<u>2,742</u>
Creditors:					
Amounts falling due after more than one year	4.12	(1,331)	(1,205)	(868)	(736)
Provisions for liabilities and charges	4.13	(30)	(35)	(216)	(227)
		<u>245</u>	<u>510</u>	<u>1,220</u>	<u>1,779</u>
Capital and reserves					
Called up equity share capital	4.14	220	220	220	220
Profit and loss account	4.15	25	290	1,000	1,559
Shareholders' funds	4.16	<u>245</u>	<u>510</u>	<u>1,220</u>	<u>1,779</u>

### 3. CONSOLIDATED CASH FLOW STATEMENTS

The consolidated cash flow statements of CPSG for the periods ended 31 December 2004, 30 September 2005, 30 September 2006 and 31 March 2007 are set out below.

	<b>Note</b>	<b>7 months ended 31 December 2004 £'000</b>	<b>9 months ended 30 September 2005 £'000</b>	<b>Year ended 30 September 2006 £'000</b>	<b>6 months ended 31 March 2007 £'000</b>
Net cash (outflow)/inflow from operating activities	4.19	(476)	1,192	1,146	(826)
Returns on investment and servicing of finance					
Interest paid		(21)	(66)	(87)	(66)
Interest received		7	24	15	10
		(14)	(42)	(72)	(56)
Taxation					
UK Corporation tax paid		-	-	-	-
Capital expenditure and financial investment					
Payments to acquire fixed assets		(242)	(1,211)	(381)	(88)
Proceeds from sale of fixed assets		-	26	-	-
		(242)	(1,185)	(381)	(88)
Acquisitions and disposals					
Acquisition of subsidiary		(164)	(120)	-	-
Net cash acquired with subsidiary		232	-	-	-
		68	(120)	-	-
Financing					
Issue of ordinary share capital		220	-	-	-
Issue of non-equity share capital		147	-	-	-
New loans		854	-	-	-
Repayment of loans		-	-	(97)	(107)
		1,221	-	(97)	(107)
Increase/(decrease) in cash	4.20	557	(155)	596	(1,077)

## **4. NOTES TO THE FINANCIAL INFORMATION**

### **4.1 ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with UK GAAP.

#### **Basis of consolidation**

The consolidated financial information includes the financial information of CPSG and its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under the terms of Financial Reporting Standard No 8, "Related Party Disclosures" CPSG is exempt from the requirement to disclose transactions with entities that are wholly owned subsidiary undertakings.

#### **Turnover**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on plant and machinery at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life of between four and 15 years.

#### **Goodwill**

Negative goodwill up to the fair value of non-monetary assets acquired is released to the profit and loss account over the period in which the non-monetary assets are recovered, whether through depreciation or sale.

#### **Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### **Stock**

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

#### **Deferred taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between taxable profits and results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## Foreign currency translations

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

## Grants

Grants in respect of fixed assets are included in creditors and are amortised to the profit and loss account in equal annual instalments over the useful lives of the assets concerned.

## Pensions

CPSG operates a defined contribution scheme. The costs are charged to the profit and loss in the period to which they relate.

### 4.2 TURNOVER

	<b>7 months ended 31 December 2004 £'000</b>	<b>9 months ended 30 September 2005 £'000</b>	<b>Year ended 30 September 2006 £'000</b>	<b>6 months ended 31 March 2007 £'000</b>
UK	1,193	1,628	2,585	1,074
Other EU	290	48	428	9
Rest of world	332	816	5,157	6,200
	<u>1,815</u>	<u>2,492</u>	<u>8,170</u>	<u>7,283</u>

### 4.3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<b>7 months ended 31 December 2004 £'000</b>	<b>9 months ended 30 September 2005 £'000</b>	<b>Year ended 30 September 2006 £'000</b>	<b>6 months ended 31 March 2007 £'000</b>
Depreciation of tangible assets	42	65	120	84
Amortisation of negative goodwill	(136)	(15)	(17)	–
Profit on disposal of tangible assets	(7)	(26)	–	–
Operating lease rentals – plant	11	7	7	4
– other	–	41	259	180
Auditors' remuneration	7	16	16	5
Auditors' remuneration – non-audit	–	8	10	80
Exceptional item – redundancy costs	193	137	–	–
	<u>193</u>	<u>137</u>	<u>–</u>	<u>–</u>

#### 4.4 STAFF COSTS

The average monthly number of persons employed by CPSG (including executive directors) during the year was:

	<b>7 months ended 31 December 2004</b>	<b>9 months ended 30 September 2005</b>	<b>Year ended 30 September 2006</b>	<b>6 months ended 31 March 2007</b>
Management and administration	17	13	9	10
Production	33	34	30	34
	<u>50</u>	<u>47</u>	<u>39</u>	<u>44</u>

Their total remuneration was:

	<b>7 months ended 31 December 2004 £'000</b>	<b>9 months ended 30 September 2005 £'000</b>	<b>Year ended 30 September 2006 £'000</b>	<b>6 months ended 31 March 2007 £'000</b>
Wages and salaries	926	735	1,178	712
Social security costs	103	77	104	79
Pension costs	–	–	13	26
	<u>1,029</u>	<u>812</u>	<u>1,295</u>	<u>817</u>
Directors' remuneration:				
Directors' emoluments	131	199	359	174
Contributions to money purchase pension schemes	–	–	13	11
	<u>61</u>	<u>50</u>	<u>92</u>	<u>41</u>

#### 4.5 INTEREST PAYABLE

	<b>7 months ended 31 December 2004 £'000</b>	<b>9 months ended 30 September 2005 £'000</b>	<b>Year ended 30 September 2006 £'000</b>	<b>6 months ended 31 March 2007 £'000</b>
Bank loans and overdrafts	31	57	87	65
	<u>31</u>	<u>57</u>	<u>87</u>	<u>65</u>



## 4.6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The (credit)/charge for the period comprises:

	7 months ended 31 December 2004 £'000	9 months ended 30 September 2005 £'000	Year ended 30 September 2006 £'000	6 months ended 31 March 2007 £'000
<b>Domestic current year tax</b>				
UK corporation tax	(39)	–	93	230
<b>Deferred tax</b>				
Net origination	21	5	161	11
Impact of change of tax rate	–	–	20	–
	<u>(18)</u>	<u>5</u>	<u>274</u>	<u>241</u>
Profit on ordinary activities before tax	<u>7</u>	<u>270</u>	<u>984</u>	<u>800</u>
Profit on ordinary activities before taxation at standard rate UK corporation tax rate of 30 per cent. (2004 and 2005: 19 per cent.)	1	51	295	240
Effects of:				
Non-deductible expenses	1	1	(1)	1
Capital allowances in advance of depreciation	(16)	(70)	(58)	–
Utilisation of tax losses brought forward	–	67	(103)	(11)
Income not accessible to tax	(25)	(49)	(5)	–
Movement in unrecognised losses	–	–	(24)	–
Small companies relief	–	–	(11)	–
	<u>(40)</u>	<u>(51)</u>	<u>(202)</u>	<u>(10)</u>
Current tax (credit)/charge	<u>(39)</u>	<u>–</u>	<u>93</u>	<u>230</u>

## 4.7 TANGIBLE FIXED ASSETS

	<b>Plant and machinery £'000</b>
<b>Cost</b>	
At 31 May 2004	–
Additions	230
Disposals	(45)
Transfer from group undertaking	3,144
	<hr/>
At 31 December 2004	3,329
Additions	967
Disposals	(72)
	<hr/>
At 30 September 2005	4,224
Additions	381
Disposals	(1,215)
	<hr/>
At 30 September 2006	3,390
Additions	88
Disposals	–
	<hr/>
At 31 March 2007	3,478
	<hr/> <hr/>
<b>Depreciation</b>	
At 31 May 2004	–
Charge in period	42
Disposals	(45)
Transfer from group undertaking	2,938
	<hr/>
At 31 December 2004	2,935
Charge in period	65
Disposals	(72)
	<hr/>
At 30 September 2005	2,928
Charge in period	120
Disposals	(1,215)
	<hr/>
At 30 September 2006	1,833
Charge in period	84
Disposals	–
	<hr/>
At 31 March 2007	1,917
	<hr/> <hr/>
<b>Net book value</b>	
At 31 December 2004	394
	<hr/> <hr/>
At 30 September 2005	1,296
	<hr/> <hr/>
At 30 September 2006	1,557
	<hr/> <hr/>
At 31 March 2007	1,561
	<hr/> <hr/>

## 4.8 INTANGIBLE FIXED ASSETS

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 31 May 2004	–
Goodwill arising on consolidation	(168)
	<hr/>
At 31 December 2004	(168)
	<hr/>
At 30 September 2005	(168)
	<hr/>
At 30 September 2006	(168)
	<hr/>
At 31 March 2007	(168)
	<hr/> <hr/>
<b>Amortisation</b>	
At 31 May 2004	–
Amortisation in the period	136
	<hr/>
At 31 December 2004	136
Amortisation in the period	15
	<hr/>
At 30 September 2005	151
Amortisation in the period	17
	<hr/>
At 30 September 2006	168
Amortisation in the period	–
	<hr/>
At 31 March 2007	168
	<hr/> <hr/>
<b>Net book value</b>	
At 31 December 2004	(32)
	<hr/> <hr/>
At 30 September 2005	(17)
	<hr/> <hr/>
At 30 September 2006	–
	<hr/> <hr/>
At 31 March 2007	–
	<hr/> <hr/>

## 4.9 STOCKS

	<b>As at 31 December 2004 £'000</b>	<b>As at 30 September 2005 £'000</b>	<b>As at 30 September 2006 £'000</b>	<b>As at 31 March 2007 £'000</b>
Raw materials	207	579	376	1,131
Work in progress	311	355	905	816
	<hr/>	<hr/>	<hr/>	<hr/>
	518	934	1,281	1,947
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 4.10 DEBTORS

	As at 31 December 2004 £'000	As at 30 September 2005 £'000	As at 30 September 2006 £'000	As at 31 March 2007 £'000
Trade debtors	1,164	902	2,583	3,157
Other debtors	400	51	150	1,490
Prepayments and accrued income	150	122	633	321
	<u>1,714</u>	<u>1,075</u>	<u>3,366</u>	<u>4,968</u>

#### 4.11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 December 2004 £'000	As at 30 September 2005 £'000	As at 30 September 2006 £'000	As at 31 March 2007 £'000
Bank loans and overdraft	–	141	216	1,030
Trade creditors	327	741	1,616	1,242
Corporation tax	18	18	111	341
Other taxes and social security	76	26	166	32
Other creditors	317	254	406	216
Accruals and deferred income	807	799	2,383	3,608
	<u>1,545</u>	<u>1,979</u>	<u>4,898</u>	<u>6,469</u>

#### 4.12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	As at 31 December 2004 £'000	As at 30 September 2005 £'000	As at 30 September 2006 £'000	As at 31 March 2007 £'000
Bank loans	854	752	541	434
Other creditors	330	306	180	155
'A' ordinary shares of £1	147	147	147	147
	<u>1,331</u>	<u>1,205</u>	<u>868</u>	<u>736</u>
<b>Analysis of loans</b>				
Repayable between one and two years	156	216	216	217
Repayable between two and five years	376	456	325	217
Repayable after five years	322	80	–	–
	<u>854</u>	<u>752</u>	<u>541</u>	<u>434</u>

#### 4.13 PROVISIONS FOR LIABILITIES AND CHARGES

	As at 31 December 2004 £'000	As at 30 September 2005 £'000	As at 30 September 2006 £'000	As at 31 March 2007 £'000
Opening deferred tax provision	–	30	35	216
Transferred to profit and loss account	21	5	181	11
Deferred tax acquired with subsidiary	9	–	–	–
	<u>30</u>	<u>35</u>	<u>216</u>	<u>227</u>
<i>Deferred tax comprises:</i>				
Accelerated capital allowances	30	100	216	227
Losses	–	(65)	–	–
	<u>30</u>	<u>35</u>	<u>216</u>	<u>227</u>

#### 4.14 SHARE CAPITAL

At the period ends, the authorised and issued share capital of the company was as follows:

	As at 31 December 2004 £'000	As at 30 September 2005 £'000	As at 30 September 2006 £'000	As at 31 March 2007 £'000
<b>Authorised</b>				
300,000 Ordinary shares of £1	300	300	300	300
	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>
<b>Issued and fully paid</b>				
200,000 Ordinary shares of £1	220	220	220	220
	<u>220</u>	<u>220</u>	<u>220</u>	<u>220</u>

#### 4.15 STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	£'000
As at 1 June 2004	–
Retained profit for the period	25
	<u>25</u>
As at 31 December 2004	25
Retained profit for the period	265
	<u>290</u>
As at 30 September 2005	290
Retained profit for the period	710
	<u>1,000</u>
As at 30 September 2006	1,000
Retained profit for the period	559
	<u>1,559</u>
As at 31 March 2007	<u>1,559</u>

#### 4.16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	As at 31 December 2004 £'000	As at 30 September 2005 £'000	As at 30 September 2006 £'000	As at 31 March 2007 £'000
Retained profit for the period	25	265	710	559
Issue of share capital	220	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in shareholders' funds	245	265	710	559
Opening shareholders' funds	–	245	510	1,220
	<hr/>	<hr/>	<hr/>	<hr/>
	245	510	1,220	1,779
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 4.17 GUARANTEES AND FINANCIAL COMMITMENTS

##### Leasing commitments

The company has commitments to make payments during the next year under operating rental leases expiring as follows:

	As at 31 December 2004		As at 30 September 2005		As at 30 September 2006		As at 31 March 2007	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within 1 year	40	1	–	–	–	8	–	8
Between 2-5 years	–	–	–	4	–	–	–	–
After more than 5 years	31	–	371	–	371	–	403	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

##### Capital commitments

	As at 31 December 2004 £'000	As at 30 September 2005 £'000	As at 30 September 2006 £'000	As at 31 March 2007 £'000
Contracted for but not provided in the financial statements	348	–	–	228
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The above represent commitments for capital expenditure entered into prior to the period end.

##### Other financial commitments

During the 7 month period to 31 December 2004 CPSG entered into an agreement to pay £25,000 per year for 10 years in respect of warranty guarantee fees.

During the 7 month period to 31 December 2004 CPSG entered into an agreement to pay bank charges totalling £40,000 in instalments over the next five years.

At 31 March 2007 CPSG had entered into a binding commitment with its primary supplier to pay advance payments for existing purchase orders after the year end. The advance payments total £753,000.

#### 4.18 RELATED PARTY TRANSACTIONS

	<b>7 months ended 31 December 2004 £'000</b>	<b>9 months ended 30 September 2005 £'000</b>	<b>Year ended 30 September 2006 £'000</b>	<b>6 months ended 31 March 2007 £'000</b>
South Yorkshire Investment Capital Fund LP (Note 1)				
Loan due at period end	(264)	(264)	(205)	(165)
Interest paid on loan during period	10	5	20	13
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Yorkshire and Humber Equity Fund No 1LP (Note 1)				
Loan due at period end	(189)	(189)	(151)	(123)
Interest paid on loan during period	10	19	24	9
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Chesterfield Cylinders Limited (Note 2)				
Management charges paid	106	–	–	–
Expenses recharged	373	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Eurocylinder Systems GmbH (Note 3)				
Amount within trade debtors	13	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Note 1 – Related party is a shareholder in CPSG

Note 2 – Entity was the parent company of CSC until 20 August 2004

Note 3 – Entity was the ultimate parent company of CSC until 20 August 2004

#### 4.19 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<b>7 months ended 31 December 2004 £'000</b>	<b>9 months ended 30 September 2005 £'000</b>	<b>Year ended 30 September 2006 £'000</b>	<b>6 months ended 31 March 2007 £'000</b>
Operating profit	30	303	1,056	855
Depreciation of tangible fixed assets	42	65	120	84
Amortisation of goodwill	(136)	(15)	(17)	–
Release of grant	–	–	–	(8)
Profit on disposal of fixed assets	(7)	(26)	–	–
Decrease/(increase) in stocks	58	(416)	(347)	(666)
(Increase)/decrease in debtors	(815)	640	(2,291)	(1,602)
Increase in creditors	352	641	2,625	511
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash (outflow)/inflow from operating activities	(476)	1,192	1,146	(826)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 4.20 ANALYSIS OF NET (DEBT)/FUNDS

	<b>1 April 2004 £'000</b>	<b>Cash flow £'000</b>	<b>Non-cash £'000</b>	<b>31 December 2004 £'000</b>
Cash at bank and in hand	–	557	–	557
Debt due after one year	–	–	(854)	(854)
Net funds/(debt)	–	557	(854)	(297)
	<b>1 January 2005 £'000</b>	<b>Cash flow £'000</b>	<b>Non-cash £'000</b>	<b>30 September 2005 £'000</b>
Cash at bank and in hand	557	(116)	–	441
Bank overdrafts	–	(39)	–	(39)
	557	(155)	–	402
Debt due within one year	–	–	(102)	(102)
Debt due after one year	(854)	–	102	(752)
	(854)	–	–	(854)
Net debt	(297)	(155)	–	(452)
	<b>1 October 2005 £'000</b>	<b>Cash flow £'000</b>	<b>Non-cash £'000</b>	<b>30 September 2006 £'000</b>
Cash at bank and in hand	441	557	–	998
Bank overdrafts	(39)	39	–	–
	402	596	–	998
Debt due within one year	(102)	(114)	–	(216)
Debt due after one year	(752)	211	–	(541)
	(854)	97	–	(757)
Net (debt)/funds	(452)	693	–	241
	<b>1 October 2006 £'000</b>	<b>Cash flow £'000</b>	<b>Non-cash £'000</b>	<b>31 March 2007 £'000</b>
Cash at bank and in hand	998	(263)	–	735
Bank overdrafts	–	(814)	–	(814)
	998	(1,077)	–	(79)
Debt due within one year	(216)	–	–	(216)
Debt due after one year	(541)	107	–	(434)
	(757)	107	–	(650)
Net funds/(debt)	241	(970)	–	(729)



#### 4.21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	7 months ended 31 December 2004 £'000	9 months ended 30 September 2005 £'000	Year ended 30 September 2006 £'000	6 months ended 31 March 2007 £'000
Increase/(decrease) in cash in the year	557	(155)	596	(1,077)
Cash (outflow)/inflow from movement in debt	(854)	–	97	107
	<hr/>	<hr/>	<hr/>	<hr/>
Movement in net (debt)/funds in the year	(297)	(155)	693	(970)
Opening net debt	–	(297)	(452)	241
	<hr/>	<hr/>	<hr/>	<hr/>
Closing net (debt)/funds	(297)	(452)	241	(729)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 4.22 PURCHASE OF SUBSIDIARY

On 1 August 2004, CPSG purchased the entire share capital of CSC. The details of the acquisition are:

	Fair value £'000
Assets acquired:	
Tangible assets	187
Stock	576
Net cash acquired with subsidiary undertaking	232
Debtors	899
Creditors	(1,082)
Deferred taxation	(9)
	<hr/>
	803
	<hr/> <hr/>
Satisfied by:	
Cash paid on acquisition	100
Cash costs	65
Deferred consideration	470
Negative goodwill	168
	<hr/>
	803
	<hr/> <hr/>

#### 4.23 POST BALANCE SHEET EVENTS

On 21 May 2007, CPSG's entire issued share capital was purchased by Pressure Technologies Limited under the terms of a share for share exchange whereby CPSG shareholders were given 20 5p ordinary shares in Pressure Technologies Limited in exchange for each ordinary share of £1 and each 'A' ordinary share of £1 held. The preferential rights of the 'A' ordinary shares lapsed by virtue of the share for share exchange.

On 24 May 2007, as part of a group reorganisation, CPSG's investment in CSC was transferred to Pressure Technologies Limited.

Yours faithfully

**RSM ROBSON RHODES LLP**

## PART VI

### ADDITIONAL INFORMATION

#### 1. THE COMPANY

- 1.1 The Company was incorporated and registered in England and Wales on 2 March 2007 under the Act as a private company limited by shares with the name Pressure Technologies Limited and with registration number 06135104. On 23 May 2007 the Company passed a special resolution pursuant to Section 43(2) Companies Act 1985 to re-register as a public company. On 29 May 2007 the Company obtained a trading certificate pursuant to Section 117 of the Act.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.3 The Company's registered office and principal place of business is at Meadowhall Road, Sheffield, South Yorkshire S9 1BT.
- 1.4 The liability of the members of the Company is limited.
- 1.5 The Company has the following wholly owned UK incorporated subsidiaries;
- Chesterfield Special Cylinders (company number 4869273) whose registered office is at Meadowhall Road, Sheffield S9 1BT; and
- Chesterfield Pressure Systems Group Limited (company number 4753732) whose registered office is also at Meadowhall Road, Sheffield S9 1BT.

#### 2. SHARE CAPITAL

- 2.1 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1.00 each, two of which were issued credited as fully paid to the subscribers to the Company's memorandum of association. The subscribers to the Company's Memorandum of Association were Jonathan Dudley Clark and John Trevor Saxelby Hayward.
- 2.2 On 18 May 2007 the Company passed a special resolution to increase its share capital to £750,000 divided into 15,000,000 ordinary shares of 5p each. On 23 May the Company passed a further special resolution to re-register as a public company.
- 2.3 On 18 May 2007 by or pursuant to resolutions of the Company passed on that date:
- 2.3.1 for the purposes of section 80 of the Act, the Directors were generally and unconditionally authorised and empowered to allot relevant securities (as defined by in section 80(2) of the Act) up to an aggregate nominal amount of £750,000 to such persons and upon such terms and conditions as they may determine (subject always to the articles of association of the Company from time to time) provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make an offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired; and
- 2.3.2 pursuant to and in accordance with section 95 of the Act, the Directors were authorised and empowered to allot equity securities (as defined in section 94 of the Act) pursuant to the general authority referred to in paragraph 2.3.1 above and to sell relevant shares (as defined in Section 94 of the Act) held by the Company as treasury shares (as defined in section 162A of the Act) as if section 89(1) of the Act did not apply to such allotment or sale provided that this authority and power shall be limited to allotment of equity securities and the sale of treasury shares:
- (a) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and
- (b) otherwise than pursuant to paragraph (a) above, up to an aggregate nominal amount of £750,000;

and such power shall, unless renewed, varied or revoked expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make an offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired.

- 2.4 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees share scheme as defined in section 743 of the Act) will apply to the authorised but un-issued share capital of the Company to the extent not disapplied as described in paragraphs 2.3.2 above.
- 2.5 On 21 May 2007 the Company entered into a share for share exchange agreement with the shareholders of CPSG pursuant to which the Company acquired the entire issued share capital of CPSG in exchange for the issue of 7,333,580 ordinary shares in aggregate to those shareholders.
- 2.6 On 23 May 2007 the Company passed a special resolution to re-register as a public company.
- 2.7 The Company's authorised and issued ordinary share capital, at the date of this document is and it is expected to be immediately following the Placing will be as follows:

	<b>At the date of this document</b>		<b>Following Admission</b>	
	<b>Amount</b>	<b>Number of Ordinary Shares</b>	<b>Amount</b>	<b>Number of Ordinary Shares</b>
Authorised	£750,000	15,000,000	£750,000	15,000,000
Issued and fully paid	£366,681	7,333,620	£566,681	11,333,620

- 2.8 Save as disclosed in this Part VI:
- 2.8.1 no shares or loan capital of the Company has within the three years preceding the date of this document been issued or agreed to be issued or is now proposed to be issued fully or partly paid, for such or any other consideration or has been purchased by the Company or any of its subsidiaries;
- 2.8.2 no commissions, discounts, brokerages or others special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital; and
- 2.8.3 no share or loan capital of the Company, is under option or has been agreed conditionally or unconditionally to be put under option.

### **3. MEMORANDUM AND ARTICLES OF ASSOCIATION**

3.1 The memorandum of association of the Company provides that the Company's principal object is to carry on business as a holding company. The objects of the Company are set out in full in clause 3 of the memorandum of association.

3.2 The Articles of the Company adopted on by a special resolution of it members on 24 May 2007 contain, *inter alia*, provisions to the following effect:

#### **3.2.1 Voting Rights**

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles and or any resolution authorising the creation of such shares, on a show of hands every member who is present in person shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share held by him.

#### **3.2.2 Transfer of Shares**

(a) A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is approved by the board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

(b) Any member may, subject to the Articles, transfer all or any of his certificated shares by an instrument of transfer in any usual form or in such other form as the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register in respect thereof. All instruments of transfer may be retained by the Company unless the Directors refuse to register such interest.

- (c) The Directors may in their absolute discretion and without giving any reason for it, refuse to register the transfer of any certificated share which is not fully paid, if they have a lien on it, provided that any such refusal will not prevent dealings in the shares from taking place on an open and proper basis.
- (d) The Directors may also refuse to register any instrument of transfer of a certificated share unless it is lodged at the registered office or such other place as the Directors may decide, for registration, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and the instrument is in respect of only one class of share.
- (e) If the Board refuses to register a transfer of a certificated share it shall, within two months after the date on which the instrument of transfer was lodged, send to the transferee notice of the refusal.
- (f) The registration of the transfer of shares or of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may decide, except that registration of the transfer of any shares or class of shares which are for the time being uncertificated shares may only be suspended as permitted by the Act.

### 3.2.3 Pre-emption

- (a) Subject to the provisions of the Act and the Articles, all un-issued shares are at the disposal of the Directors.
- (b) On the passing of a special resolution, the Directors shall have power to allot equity securities for cash as if Section 89(1) of the Act did not apply to the allotment but that power shall be limited (i) to the allotment of equity securities in connection with a rights issue; and (ii) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

### 3.2.4 Return of Capital on a Winding Up

The liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by statute (i) divide among the members *in specie* the whole or any part of the assets of the Company; or (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

### 3.2.5 Capitalisation of Reserves

The Directors may, with the authority of an ordinary resolution of the Company (i) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including share premium account and capital redemption reserve) or any sum standing to the credit of profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (ii) appropriate that sum as capital to the holders of ordinary shares in proportion to the nominal amount of the ordinary share capital held by them respectively and apply that sum on their behalf in paying up in full any unissued shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or in paying up the whole or any part of any amounts which are unpaid in respect of any issued shares in the Company held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account and the capital redemption reserve and any sum not available for distribution in accordance with the Statutes may only be applied in paying up unissued shares to be allotted credited as fully paid up.

### 3.2.6 Dividends and Other Distributions

#### (a) Declaration of Dividends

Subject to the Act, the Company may by ordinary resolution declare dividends to be paid to the members according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Directors.

#### (b) Fixed and interim dividends

The Directors may pay such interim dividends as appear to the board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the board whenever the financial position of the Company, in the opinion of the board, justifies its payment. If the board acts in good faith, none of the directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

(c) Calculation and currency of dividends

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (i) all dividends shall be declared and paid in accordance to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (iii) dividends may be declared or paid in any currency, and the board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid for the Company or any other person to bear any costs involved.

(d) Dividends not to bear interest

No dividend or other moneys payable by the Company on or in respect of any share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

(e) Calls or debts may be deducted from dividends

The Board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to the Company on account of calls or otherwise in relation to shares of the Company.

(f) Dividends in Specie

With the authority of an ordinary resolution of the Company and on the recommendation of the board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.

(g) Scrip Dividends

The Board may, with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive further ordinary shares credited as fully paid, by way of scrip dividends instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution.

(h) Unclaimed Dividends

Any dividend unclaimed for a period of 12 years after having been declared shall be forfeited and cease to remain owing by the Company.

(i) Uncashed Dividends

If a dividend payment is left uncashed (or returned to the Company) and following reasonable enquiries the Company is unable to establish a new address (or new account details) for that person, the Company shall not be obliged to send any further dividends payable until a new address is notified to it.

### 3.2.7 Redemption

Subject to the Act, any shares may, be issued on terms that they are, or at the option of the Company or the holder, are, liable to be redeemed on the terms and in the manner provided for by the Articles.

### 3.2.8 Variation of Rights

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares may be varied, either with the consent in writing of the holders of 75 per cent. in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. At any such separate general meeting the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class, that every holder of shares of that class shall be entitled on a poll to one vote for every such share of that class held by him, that any holder of shares of the class present in person or by proxy may demand a poll and that at any adjourned meeting of such holders one holder present in person or by proxy shall be a quorum. The rights attached to any class of shares shall, unless otherwise expressly provided by the rights attaching to such shares, be deemed not to be altered by the creation or issue of further shares ranking *pari passu* therewith or by a purchase or redemption by the Company of its own shares.

### 3.2.9 Alteration of Share Capital

- (a) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount (so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from the sub-division one or more shares may have such rights or restrictions as compared with the other or others as the Company has power to attach to new shares and cancel any shares not at the date of the resolution taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of shares so cancelled;
- (b) the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account;
- (c) subject to the provisions of the Act, the Company may purchase all or any of its shares of any class, including any redeemable shares.

### 3.2.10 Disclosure of Interests in shares

- (a) If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in Section 212 of the Act (Section 212 notice) and, in respect of that share (a treasury share), has been in default for a period of 14 days after the Section 212 notice has been given in supplying to the Company the information required by the Section 212 notice, the following restrictions shall apply (i) if the treasury shares in which any one person is interested or appears to the Company to be interested represent less than 0.25 per cent, of the issued shares of the class, the holders of the treasury shares shall not be entitled, in respect of those shares, to attend or vote, either personally or by proxy, at any general meeting of the Company; or (ii) if the treasury shares in which any one person is interested or appears to the Company to be interested represent at least 0.25 per cent of the issued shares of the class, the holders of the treasury shares shall not be entitled, in respect of those shares:
  - (i) to attend or to vote, either personally or by proxy, at any general meeting of the Company; or
  - (ii) to receive any dividend or other distribution; or
  - (iii) to transfer or agree to transfer any of those shares or any rights to them.
- (b) The restrictions shall continue for the period specified by the Directors being not more than seven days after the earlier of the sale of the treasury shares pursuant to an exempt transfer, or due compliance (to the satisfaction of the Directors ) with the Section 212 notice.

### 3.2.11 Directors

- (a) Unless and until the Company by ordinary resolution shall otherwise determine, the number of directors other than alternate directors shall not be less than two. There shall be no maximum number of directors.
- (b) A director need not be a member of the Company.
- (c) There is no age limit for directors.

### 3.2.12 Restrictions on Voting by Directors and Directors' Interests

- (a) Subject to any applicable statutory provisions, a director shall not be disqualified by his office from entering into any contract with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise. A director may hold and be remunerated in respect of any other office or place of profit with the Company (other than the office of auditor of the Company) in conjunction with his office as director and he (or his firm) may also act in a professional capacity for the Company (except as auditor) and may be remunerated for it.
- (b) A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract with the Company shall declare the nature of his interest at a meeting of the directors.
- (c) A director shall not vote or be counted in the quorum at a meeting in respect of any resolution concerning his own appointment (including fixing and varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the

Company or any company in which the Company is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned (if not otherwise debarred from voting under the articles of association) shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment or the termination of his own appointment.

- (d) A director shall not vote (or be countered in the quorum at a meeting) in respect of any contract in which he has an interest which (together with any interested of a connected person) is to his knowledge a material interest. Notwithstanding the above, a director shall be entitled to vote (and be counted in the quorum) on:
- (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or its subsidiaries;
  - (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iii) any proposal concerning his participation in any issue or offer of shares in or debentures or other securities of the Company or its subsidiaries in respect of which offer he is or is to be or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter;
  - (iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
  - (v) an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
  - (vi) any arrangement with another company in which he (or any person connected with him) is interested, provided that he and any person connected with him are not the holder of or beneficially interested in 1 per cent. or more of any class of shares in such company or the available voting rights, any interest being deemed to be a material interest.
  - (vii) any proposal concerning an insurance which the Company is empowered to purchase and/or maintain for the benefit of and against any liability incurred by any directors or persons who include the directors.

### 3.2.13 Remuneration of Directors

- (a) The Directors shall be paid out of the funds of the Company by way of remuneration for their services as directors, as the directors may from time to time determine. Such fee shall be divided among them in such proportion and manner as they may agree.
- (b) The Board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Special remuneration may be payable to a director in addition to his ordinary remuneration (if any) as a director.
- (c) The Directors shall also be paid out of the funds of the Company all expenses properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from the meetings of the Board, committee meetings and general meetings.
- (d) The Board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits, allowances or gratuities to any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or any subsidiary or associated company or the relatives or dependants of any such person. For that purpose, the Board may procure the establishment and maintenance of, or participate in, or contribute to any non-contributory or contributory pension or superannuation fund, scheme or arrangement or pay any insurance premiums.
- (e) The remuneration of executive Directors shall be fixed by the Directors and may be paid by way of salary, commission, participation in profits or otherwise.



#### 3.2.14 Appointments to Office

Subject to the Act, the Directors may from time to time appoint one or more of their body to hold executive office upon such terms as they may determine.

#### 3.2.15 Retirement of Directors

At each annual general meeting any director then in office who has been appointed by the Board since the previous annual general meeting or has held office for three years or more since he was appointed or last re-appointed by the Company in general meeting shall retire from office but shall be eligible for re-appointment.

#### 3.2.16 Annual and Extraordinary General Meetings

- (a) An annual general meeting shall be held in accordance with the Act at such place as may be determined by the Board. All other general meetings shall be extraordinary general meetings. Extraordinary general meetings shall be held whenever the Board thinks fit or on the requisition of shareholders in accordance with the Act.
- (b) Subject to the provisions of the Act, an annual general meeting and a general meeting for the passing of a special resolution shall be called by at least 21 clear days' notice and all other general meetings shall be called by at least 14 clear days' notice, unless such shareholder meetings are called by shorter notice in accordance with the Act.
- (c) Shorter notice than that specified above may be deemed to have been given in the case of an annual general meeting by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority number of the members having a right to attend and vote at the meeting, being a majority together holding not less than such minimum percentage as the Act allows in nominal value of the shares giving that right.
- (d) The requisite quorum for general meetings of the Company shall be two persons, whether present in person or by proxy, entitled to vote on the business to be transacted at the meeting.
- (e) At any general meeting, the Directors may make any arrangements and impose any requirement or restriction which they consider appropriate to ensure the security and orderly conduct of a general meeting including, without limitation, the searching of the personal property and the restriction of items that may be taken into the meeting place by those attending the meeting. A director or the secretary is entitled to refuse entry to a person who refuses to comply with these arrangements or restrictions.

#### 3.2.17 Borrowing Powers

- (a) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party.
- (b) The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one Group company to another Group company) after deducting the amount of cash deposited will not, without the previous sanction of the Company in general meeting, exceed £100 million or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

#### 3.2.18 Pensions, Gratuities etc.

The Directors may, subject to the provisions of the Act, exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person who is or has been at any time an employee or Director or former employee or Director of the Company or a subsidiary or the relations, dependants of such person.

#### 3.2.19 Untraced Shareholders

If for a period of 12 years at least three dividends have become payable no cheques or warrants sent to members at their registered address, have been cashed and no communication has been received from the member (or any person entitled to the member's shares by transmission), the Company may sell such shares at the best reasonably obtainable price if, after giving notice in a national newspaper and a newspaper circulating in the region of the member's registered address, giving its



intention to sell such shares it has not had any communication from the member (or anyone entitled to his shares by transmission) within three months and has given notice to the Listing Department of the London Stock Exchange and has complied with any requirements of that Exchange.

### 3.2.20 Forfeiture of Shares

- (a) If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest.
- (b) If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.
- (c) Every share which is forfeited or surrendered shall become the property of the Company and (subject to the Act) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

### 3.2.21 Indemnity of officers

Except to the extent prohibited or restricted by the Act, but without prejudice to any indemnity to which a director or other officer may otherwise be entitled, every director or other officer (excluding an auditor) of the Company may be indemnified out of the assets of the Company against all liabilities incurred by him in the actual or purported execution or discharge of his duties or the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.

3.3 Save as disclosed in this Section 3 of Part VI, neither the memorandum of association of the Company nor the Articles:

- 3.3.1 contain any provision that would have the effect of delaying, deferring or preventing a change of control of the Company; or
- 3.3.2 contain any provision governing the ownership threshold above which shareholder ownership must be disclosed; or
- 3.3.3 impose any condition governing changes in the capital that is more stringent than is required by law.

## 4. SUBSTANTIAL SHAREHOLDERS

4.1 At the date of this document, so far as the Directors are aware, in addition to the Directors the following people are at the date of this document or will be immediately following Admission, interested in 3 per cent. or more of the issued Ordinary Share capital of the Company.

Shareholder	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<b>Number of Ordinary Shares</b>	<b>Percentage of Issued Ordinary Share Capital</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of Issued Ordinary Share Capital</b>
J Hayward	1,100,040	15.00	1,100,040	9.71%
P Catton	800,000	10.91	773,333	6.82%
J Brown	800,000	10.91	800,000	7.06%
P Redfern	900,000	12.27	870,000	7.68%
A Harding	800,000	10.91	773,333	6.82%
South Yorkshire Investment Capital Fund LP	1,711,120	23.33	342,224	3.02%
Yorkshire & Humber Equity Fund No 1 LP	1,222,460	16.67	244,492	2.16%

4.2 In so far as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following Admission will (directly or indirectly) exercise or could exercise control over the Company.

## 5. DIRECTORS' INTERESTS

The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at the date of this document and immediately following the Placing (assuming full subscription thereunder) such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director, are as follows:

	<b>At the date of this document</b>		<b>Immediately following Admission</b>	
	<b>Number of Ordinary Shares</b>	<b>Percentage of Issued Ordinary Share Capital</b>	<b>Number of Ordinary Shares</b>	<b>Percentage of Issued Ordinary Share Capital</b>
R Shacklady* <sup>1</sup>	–	–	43,333	0.38
J Hayward	1,100,040	15%	1,100,040	9.71
J Clark* <sup>2</sup>	–	–	50,000	0.44
N Lockett	–	–	33,333	0.29

\*<sup>1</sup> includes 10,000 shares held by his spouse

\*<sup>2</sup> includes 3,333 shares held by his spouse

## 6. Additional information on the Directors

6.1 The Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<b>Director</b>	<b>Current</b>	<b>Former</b>
Richard Shacklady	Chesterfield Pressure Systems Group Limited Chesterfield Special Cylinders Limited Meighs Limited Langley Alloys Limited Meighs Castings Limited	Goodwin Alloy Products Limited Special Metals Wiggin Limited Juril Investments Limited
John Hayward	Chesterfield Special Cylinders Limited Chesterfield Pressure Systems Group Limited Chesterfield Tube Company Limited	None
Jonathan Clark	Littlewater Independent Management Limited Chesterfield Special Cylinders Limited Chesterfield Pressure Systems Group Limited Chesterfield Tube Company Limited	None
Nigel Lockett	L'Horizon Investments Limited Metalforma Limited Heaton Ward Limited Birmingham Stopper Limited H.A.C. (B'Ham) Limited Nomina 080 LLP	Camberley Realisations Limited Aktrion Trustees Limited Aktrion Group Limited Healthharmonie Limited

6.2 Save as disclosed in this document, none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
- (d) been a partner in any partnership with has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

- (e) the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 6.3 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.
- 6.5 In respect of any Director, there are no conflicts of interests between any duties they have to the Company and the private interests and/or other duties they may also have.
- 6.6 There are no outstanding loans granted by the Company to the Directors or any guarantees provided by the Company for the benefit of the Directors.
- 6.7 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.
- 6.8 None of the directors, their spouses or infant children have any interest in any financial products whose value is wholly or partly determined, directly or indirectly, by reference to the price of the Ordinary Shares.

## **7. Directors' remuneration**

The Company has entered into the following service agreements and letters of appointment:

- 7.1.1 Service Agreement with John Hayward dated 31 May 2007 the main terms and conditions of which are as follows:
- (a) The Company shall employ the director from 31 May although he has continuous service within the Group since 1 September 1997. The appointment shall continue until terminated by either party on 12 months' written notice. The appointment shall terminate automatically on the date that the director reaches 65.
  - (b) The director's normal place of work is at the Company's registered office. The director agrees to travel both within the United Kingdom and abroad as may be required for the proper performance of his duties.
  - (c) The director is required to work such hours as are necessary for the proper performance of his duties.
  - (d) The director shall be paid an initial salary of £85,000 per annum. The salary shall accrue day to day and be payable monthly in arrears. The director's salary shall be reviewed twice a year by the Remuneration Committee. The Company may deduct any monies owed by the director to the Company from the director's salary.
  - (e) The Company shall reimburse all reasonable expenses properly and necessarily incurred by the director in the course of the appointment subject to production of receipts or other appropriate evidence of payment.
  - (f) The director is eligible to participate in the Company's bonus scheme from time to time in force as determined by the Remuneration Committee.
  - (g) The director and his immediate family may participate in the Company's permanent health insurance scheme at the Company's expense and the director shall be entitled to participate in the Company's life assurance scheme which shall pay to the director's dependants a sum equal to three times the director's salary if the director dies during the appointment.
  - (h) The director shall be entitled to 35 days paid holiday (including bank holidays) in each year.
  - (i) Subject to the director's compliance with Company policy, the director shall continue to receive his full salary and contractual benefits during any period of absence due to any sickness or injury preventing him from carrying out his duties for up to an aggregate of 28 weeks and 50 per cent. of salary and contractual benefits for 24 weeks. Such payment shall be inclusive of any statutory sick pay due in accordance with applicable legislation.

- (j) The director shall not, except as a representative of the Company, or with the prior written approval of the board, be directly or indirectly engaged, concerned or have any financial interest in any other business, trade, profession or occupation.
- (k) The director acknowledges that all intellectual property created by him in his course of employment belongs to the Company and he will do all acts necessary to vest such rights into the name of the Company.
- (l) The Company may in its sole and absolute discretion terminate the appointment at any time and with immediate effect by paying a sum in lieu of notice equal to the basic salary (as at the date of termination) which the director would have been entitled to receive under the Agreement during the 12 month notice period, less income tax and NI contributions. The Company may pay such sums until the date on which the notice period expires if notice has already been given.
- (m) The Company may also terminate the appointment with immediate effect without notice and with no liability to make any further payment to the director (other than amounts accrued at the date of termination) if the director is disqualified from acting or resigns without prior written board approval, is guilty of a serious breach of the rules and regulations of the UK Listing Authority and other related regulatory bodies, is guilty of gross misconduct, is declared bankrupt, is convicted of an arrestable offence, is guilty of fraud or dishonesty or becomes of unsound mind.
- (n) Following service of notice to terminate the appointment by either party the board may by written notice require the director not to perform any services for the Company until the termination of the appointment, or a specified date. Any period of Garden Leave shall not normally exceed 12 months. During the Garden Leave period the director shall continue to receive salary and all contractual benefits, but shall not without the prior written consent of the board attend his place of work or contact or deal with any business contacts of the Company.
- (o) The director covenants with the Company that for a period of six months after termination of his employment he will not solicit or endeavour to entice away from the business a customer of the business (who was a customer of the Company during the 12 months prior to termination), or an employee of the business. The director also covenants that he will not be involved in any business concern which is in competition with the Company or with the provision of goods or services to a customer of the Company or represent himself as connected with the Company.
- (p) During each year of appointment the Company shall, subject to an equal or greater contribution from the director, contribute an amount equal to 3 per cent. of the director's salary in equal monthly instalments in arrears to the director's personal pension scheme. pension contributions are currently under review and may be increased and the director's contribution may be made under a salary sacrifice scheme if one is adopted.

7.1.2 Service Agreement with Jonathan Clark dated 31 May 2007, the main terms and conditions of which are as follows:

- (a) The Company shall employ the director from 31 May 2007 although he has continuous service within the Group from 15 January 2007. The appointment shall continue until terminated by either party on 12 months' written notice. The appointment shall terminate automatically on the date that the director reaches 65.
- (b) The director's normal place of work is at the Company's registered office. The director agrees to travel both within the United Kingdom and abroad as may be required for the proper performance of duties.
- (c) The director is required to work such hours as are necessary for the proper performance of his duties.
- (d) The director shall be paid an initial salary of £70,000 per annum. The salary shall accrue day to day and be payable monthly in arrears. The director's salary shall be reviewed twice a year by the Remuneration Committee. The Company may deduct any monies owed by the director to the Company from the director's salary.
- (e) The Company shall reimburse all reasonable expenses properly and necessarily incurred by the director in the course of the appointment subject to production of receipts or other appropriate evidence of payment.
- (f) The director is eligible to participate in the Company's bonus scheme from time to time in force as determined by the Remuneration Committee.

- (g) The director and his immediate family may participate in the Company's permanent health insurance scheme at the Company's expense and the director shall be entitled to participate in the Company's life assurance scheme which shall pay to the director's dependants a sum equal to three times the director's salary if the director dies during the appointment.
- (h) The director shall be entitled to 35 days paid holiday (including bank holidays) in each year.
- (i) Subject to the director's compliance with Company policy, the director shall continue to receive his full salary and contractual benefits during any period of absence due to any sickness or injury preventing him from carrying out his duties for up to an aggregate of 28 weeks and 50 per cent. of his salary and contractual benefits for 24 weeks. Such payment shall be inclusive of any statutory sick pay due in accordance with applicable legislation.
- (j) The director shall not, except as a representative of the Company, or with the prior written approval of the board, be directly or indirectly engaged, concerned or have any financial interest in any other business, trade, profession or occupation.
- (k) The director acknowledges that all intellectual property created by him in his course of employment belongs to the Company and he will do all acts necessary to vest such rights into the name of the Company.
- (l) The Company may in its sole and absolute discretion terminate the appointment at any time and with immediate effect by paying a sum in lieu of notice equal to the basic salary (as at the date of termination) which the director would have been entitled to receive under the Agreement during the 12 month notice period, less income tax and NI contributions. The Company may pay such sums until the date on which the notice period expires if notice has already been given.
- (m) The Company may also terminate the appointment with immediate effect without notice and with no liability to make any further payment to the director (other than amounts accrued at the date of termination) if the director is disqualified from acting or resigns without prior written board approval, is guilty of a serious breach of the rules and regulations of the UK Listing Authority and other related regulatory bodies, is guilty of gross misconduct, is declared bankrupt, is convicted of an arrestable offence, is guilty of fraud or dishonesty or becomes of unsound mind.
- (n) Following service of notice to terminate the appointment by either party the board may by written notice require the director not to perform any services for the Company until the termination of the appointment, or a specified date. Any period of Garden Leave shall not normally exceed 12 months. During the Garden Leave period the director shall continue to receive salary and all contractual benefits, but shall not without the prior written consent of the board attend his place of work or contact or deal with any business contacts of the Company.
- (o) The director covenants with the Company that for a period of six months after termination of his employment he will not solicit or endeavour to entice away from the business a customer of the business (who was a customer of the Company during the 12 months prior to termination), or an employee of the business. The director also covenants that he will not be involved in any business concern which is in competition with the Company or with the provision of goods or services to a customer of the Company or represent himself as connected with the Company.
- (p) During each year of appointment the Company shall, subject to an equal or greater contribution from the director, contribute an amount equal to 3 per cent. of the director's salary in equal monthly instalments in arrears to the director's personal pension scheme. pension contributions are currently under review and may be increased and the director's contributions may be made under a salary sacrifice scheme if one is adopted.

7.1.3 Agreement for Services with Richard Shacklady dated 31 May 2007, the main terms and conditions of which are as follows:

- (a) Appointment for an initial period of three years commencing on 1 June 2007.
- (b) Appointment can be terminated by either party upon three months' written notice.
- (c) Continuation of appointment is contingent upon satisfactory performance and re-election at forthcoming AGMs.
- (d) Expected to attend up to 24 board meetings per year, which includes the AGM, one annual board away day and at least one site visit per year.
- (e) The Chief Executive's agreement is to be sought where any additional commitments that might affect the time to be devoted to the role as non-executive chairman are to be entered into.

- (f) Role includes responsibility for chairing the Nominations Committee.
- (g) A fee of £24,000 gross per annum will be paid quarterly in arrears subject to receipt of invoices.
- (h) Where required to attend more than the 24 expected board and related meetings per annum additional requirements will be charged at the rate of £1,000 per day.
- (i) All reasonable and properly documented expenses incurred in performing the duties of the role will be reimbursed, with mileage being reimbursed at 40p per mile.
- (j) Any potential conflicts of interest that arise should be notified to the Chief Executive and Company Secretary as soon as apparent.
- (k) All information acquired during the appointment is confidential to the Company and should not be released either during appointment or following termination to third parties without prior clearance from the Chairman.

In addition to his fees referred to in paragraph (g) above, the Company has agreed to make an additional ex gratia payment to Richard Shacklady of £40,000 immediately following Admission in recognition of his continuing efforts and work carried out on behalf of the Group.

7.1.4 Agreement for Services with Nigel Lockett dated 31 May 2007, the main terms and conditions of which are as follows:

- (a) Appointment commenced on 1 April 2007 for an initial period of three years commencing from the first AGM.
- (b) Appointment can be terminated by either party upon three months' written notice.
- (c) Continuation of appointment is contingent upon satisfactory performance and re-election at forthcoming AGMs.
- (d) Expected to attend up to 14 board meetings, including the AGM, and an annual board away day.
- (e) The Chairman's agreement is to be sought where any additional commitments that might affect the time to be devoted to the role as non-executive director are to be entered into.
- (f) Role includes responsibility for chairing the Audit and Remuneration Committees.
- (g) A fee of £14,000 gross per annum will be paid quarterly in arrears subject to receipt of invoices.
- (h) Where required to attend more than the 14 expected board and related meetings per annum additional requirements will be charged at the rate of £1,000 per day.
- (i) All reasonable and properly documented expenses incurred in performing the duties of the role will be reimbursed, with mileage being reimbursed at 40p per mile.
- (j) Any potential conflicts of interest that arise should be notified to the Chairman and Company Secretary as soon as apparent.
- (k) All information acquired during the appointment is confidential to the Company and should not be released either during appointment or following termination to third parties without prior clearance from the Chairman.

7.2 There is no arrangement under which any director has waived or agreed to waive future emoluments.

7.3 Save as disclosed in this Section 7 there are no existing or proposed service or consultancy agreements between any director and the Company.

## **8. Corporate governance**

The Board has taken into account the guidance issued by the Quoted Companies Alliance and the Directors intend that the Company should develop policies and procedures which reflect the Combined Code, to the extent appropriate for a company of its size.

## **9. Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the two years immediately preceding the date of this document and are, or may be, material:



- 9.1 A Placing Agreement dated 31 May 2007 between Brewin Dolphin, the Directors, the directors of the Company's subsidiaries, the Selling Shareholders and the Company pursuant to which Brewin Dolphin has agreed, conditional upon, *inter alia*, Admission taking place on or before 8 am on 6 June 2007 to use its reasonable endeavours to arrange for relevant placees to subscribe for the Placing Shares and for placees to acquire the Sale Shares. The Company will pay to Brewin Dolphin a fee of £165,000 and a commission of 4 per cent. of the total aggregate value at the Placing Price of the Placing Shares, together with all costs and expenses and VAT where appropriate. The Placing Agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, and costs relating to the Placing, including printing, advertising and distribution charges, the fees payable in connection with the Admission and the fees of the registrars. The Placing Agreement contains certain warranties and an indemnity given by the Company, the Directors, certain of the Selling Shareholders and the directors of the Company's subsidiaries in favour of Brewin Dolphin. Brewin Dolphin may terminate the Placing Agreement in specified circumstances prior to Admission, including in the event of a breach of the warranties contained in the Placing Agreement or a material adverse change in the business or affairs of the Group.

The names and addresses of the Selling Shareholders together with the number of Ordinary Shares that each Selling Shareholder is proposing to sell is as follows:

<b>Name</b>	<b>Address</b>	<b>Number of Sale Shares</b>
SYIF	Reresby House, Bow Bridge Close Rotherham S60 1BY	1,368,896
Y & H	Saint Martins House, 210-212 Chapeltown Road Leeds LS7 4HZ	977,968
Philip Catton	1 Lakeside, Chesterfield Road Oakerthorpe DE55 7PE	26,667
Philip Redfern	16 Bryony Close, Kilmarsh Sheffield S21 1TF	30,000
Alan Harding	141 Elvaston Road, North Wingfield Chesterfield S41 8AY	26,667

- 9.2 A Lock-In and Orderly Marketing Agreement dated 31 May 2007 pursuant to which each of John Hayward, Jonathan Clark, Richard Shacklady, Nigel Lockett, John Brown, Philip Catton, Philip Redfern and Alan Harding have agreed:

- (a) not to dispose of any interests in any of their Ordinary Shares for a period of 12 months from the date of Admission (save in certain limited circumstances); and
- (b) thereafter, to effect any disposal through Brewin Dolphin in order to preserve an orderly market. Furthermore, any such disposals that take place at any time prior to the date which falls on the third anniversary after the date of Admission have to be made through Brewin Dolphin on its normal commission rates in force from time to time and with Brewin Dolphin's consent having regard to market conditions.

- 9.3 A Lock-in and Orderly Marketing Agreement dated 31 May 2007 pursuant to which each of SYIF and Y&H have each agreed:

- (a) not to dispose of any interest in any of their Ordinary Shares for a period of 12 months from the date of Admission (save in certain limited circumstances); and
- (b) thereafter, to effect any disposal through Brewin Dolphin in order to preserve an orderly market. Further any such disposals that take place at any time prior to the date which falls on the second anniversary after the date of Admission have to be made through Brewin Dolphin on its normal commission rates in force from time to time and with Brewin Dolphin's consent having regard to market conditions.

- 9.4 Lease of Premises at Junction 34 Meadowhall Road, Sheffield S9 1BT

Chesterfield Special Cylinders Limited entered into a lease with MNI (Meadowhall) Limited dated 14 February 2007 for a period of 15 years commencing on 1 July 2005. The current rent payable under the lease is £370,975 per annum. The lease includes rent reviews in every fifth year of the term. In respect of years 6-10 inclusive, the rent increases to £409,586 plus VAT and then to £452,216 in the following review period.

The lease includes a full repairing obligation save that the tenant is not responsible for any latent defects which are defined as any defects in the premises due to negligent or defective design, workmanship, materials or supervision of the construction of the building or installation of anything on the site. The tenant is under an obligation to notify the landlord within 36 months of the date of practical completion of any latent defects which are to be excluded from the repairing covenants. The premises can be used for any purpose falling within use classes B1, B2 or B8 which includes offices, industrial, warehousing and storage uses.

Under the terms of the lease the tenant may with the landlord's consent underlet the whole or part of the premises. The landlord is under an obligation to insure the premises and re-charge the cost of such insurance to the tenant. The tenant has the benefit of a right of way to pass over an access road adjoining the demised premises together with the right of escape in emergency only over a separate gated access point.

9.5 Agreement for Lease in relation to the end bay of premises at Junction 34, Meadowhall Road, Sheffield S9 1BT between Chesterfield Special Cylinders Limited and MNI (Meadowhall) Limited

The agreement for the lease is dated 14 February 2007 and requires the landlord to carry out certain works to the end bay of the building referred to above and also requires cladding works to be carried out at the whole of the building occupied by Chesterfield Special Cylinders Limited.

Within five days of practical completion of the works, the landlord and tenant are under an obligation to enter into a lease in relation to the end bay area which is in agreed form. The main terms of the lease are that it will expire on the same date as the main lease (referred to above) on 30 June 2020. The rent for the first five years of the lease will be £32,000 per annum rising to £36,206 following the first review and £40,964 following the final review. There is a provision in the lease that the tenant cannot assign the lease of the end bay unless the tenant also assigns to the same person the lease of the main building. The lease will otherwise be granted on the same terms as the lease of the main building.

9.6 The share for share exchange agreement, further details of which are set out in paragraph 2.5 of this Part VI.

## 10. Summary of principal features of the Share Option Schemes

It is intended that prior to Admission the Company will adopt the share incentive plans set out below, to provide the Remuneration Committee with a flexible structure to appropriately incentivise employees going forward. The plans will be subject to a dilution limit for all share plans operated by the Company of 10 per cent. of the issued ordinary share capital in any ten year period. Awards under the discretionary share plans (including the Long Term Share Incentive Plan, Enterprise Management Incentive Plan, the Company Share Option Plan and the Performance Share Plan) will be subject to appropriate performance conditions, to be set by the Remuneration Committee.

10.1 Save as You Earn Share Option Plan ("SAYE Scheme")

The Company intends to adopt the SAYE Scheme and seek HM Revenue & Customs ("HMRC") approval to the plan under Schedule 3 Income Tax (Earnings and pensions) Act 2003 ("ITEPA"). The Plan will be open to all employees of the Company.

10.2 Performance Share Plan

The Performance Share Plan ("PSP") comprises:

- A long term share incentive plan ("LTIP") described below in paragraph 10.3.
- An Enterprise Management Incentive ("EMI") Plan described below in paragraph 10.4.
- A Company Share Option Plan ("CSOP") described below in paragraph 10.3.

The PSP was adopted by the Company on 3 May 2007 subject in the case of those parts of the Plan which comprise the EMI Plan and the CSOP to the approval of HMRC.

10.3 Long Term Share Incentive Plan ("LTIP")

The LTIP is a discretionary plan and will allow the Remuneration Committee to grant either:

- Market Value Options
- Nil Cost Options

both as defined in the LTIP to selected employees of the Company. The grant of Market Value Options will be subject to the same criteria and conditions as the grant of qualifying Options pursuant to the EMI Plan. The grant of Nil Cost Options will also be subject to similar criteria and conditions as the grant of qualifying options in respect of the EMI Plan except that the total price payable on exercise of any Nil Cost Options will be £1 per option.

The Company does not currently intend to offer any options under the LTIP which are not Market Value Options.

The tax treatment of any options granted under the LTIP will be the same as those granted under the EMI Plan in non-qualifying circumstances. The rules of the LTIP contain an indemnity by the employee granted an award under the LTIP to ensure that the Company can recover any income tax from the employee to meet its withholding obligations and by agreement with the employee the Company can transfer the employers' National Insurance Liability to the employee.

Any options granted under the LTIP reduces the maximum value of the options which can be granted to that employee under the EMI Plan or the CSOP.



#### 10.4 Enterprise Management Incentive Plan (“EMI”)

The Company intends to adopt an Enterprise Management Incentive (“EMI”) plan, which is anticipated to be a qualifying plan under Schedule 5 ITEPA. The EMI plan is a discretionary plan and will allow the Remuneration Committee to grant market value options to employees over shares with a total market value at the date of grant of up to £100,000. To the extent that options are granted to an employee under the Approved Addendum to the CSOP and/or the LTIP, this will reduce the maximum market value of options that can be granted to an employee under the EMI plan.

The EMI plan is subject to strict qualification criteria and the Company has applied for clearance from HMRC that it meets the qualifying criteria at this time. The qualifying criteria include a limit on the gross assets of the Company, which must not be more than £30 million at the date of the grant of the option. Once this £30 million limit has been exceeded the Company will not be able to grant further options under the EMI plan and instead will use one of the other discretionary plans set out below (the CSOP or the LTIP).

As a qualifying plan under Schedule 5 ITEPA the EMI plan potentially allows for tax advantaged treatment for the Company and the employee, provided the options remain qualifying options throughout their life. For an option exercised in qualifying circumstances there will be no income tax or National Insurance charge on the exercise of the option, instead the employee will be subject to a capital gains tax charge on the disposal of the shares. Under the EMI plan the taper relief holding period runs from the date of grant, resulting in a potential 10 per cent. effective tax rate for a higher rate taxpayer if options are exercised more than two years from grant. Income tax and National Insurance charges can arise on the exercise of options in non qualifying circumstances, however, the rules of the EMI plan will include an indemnity to ensure the Company can recover any income tax from the employee to meet its withholding obligations and by agreement with the employee the Company can transfer the employer’s National Insurance liability to the employee.

#### 10.5 Company Share Option Plan (“CSOP”)

The Company intends to adopt a CSOP and seek HMRC approval under Schedule 4 ITEPA to the Addendum to the PSP. The CSOP is a discretionary plan that will allow the Remuneration Committee to grant market value options to employees of the Company.

Options granted under the main body of the plan will be subject to income tax under PAYE and employee’s and employer’s National Insurance on exercise. The rules of the CSOP will include an indemnity to ensure the Company can recover any income tax from the employee to meet its withholding obligations and by agreement with the employee the Company can transfer the employer’s National Insurance liability to the employee.

Under the Approved Addendum to the CSOP the Company can grant options over shares with a market value at the date of grant of up to £30,000 per employee. Provided the options are held for a period of three years prior to exercise there should not be any income tax or National Insurance charge on exercise. Instead the employee will be subject to a capital gains tax charge on the disposal of the shares acquired. The taper relief holding period runs from the date of the exercise of the option. Any options granted under the Approved Addendum to the CSOP reduce the maximum value of the options that can be granted to that employee under the EMI plan.

#### 10.6 Market practice and change of control

When finalising the rules of the incentive plans the Remuneration Committee and the Board will take into account current market practice, including the appropriate guidance on issues such as the basis on which options would vest on a change of control.

### 11. Working Capital

The Directors are of the opinion, having made due and careful enquiry that, taking into account the net proceeds of the Placing and the existing facilities available to the Group, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

### 12. Taxation

#### 12.1 Introduction

The information in this section is based on the Directors’ understanding of current tax law and HM Revenue & Customs practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.

On issue, the Ordinary Shares will not be treated as either “listed” or “quoted” securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Ordinary Shares should continue to be treated as unquoted securities.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

- 12.2 VCT investors – the Directors have been advised that the Company’s current structure and activities should enable it to meet the requirements of a qualifying company under the VCT legislation for VCTs which raised funds prior to April 2006. The Company has received provisional approval from HM Revenue & Customs that it fulfils the requirements for VCT investment.
- 12.3 Although the Company currently expects to satisfy the relevant conditions for VCT investment, neither the directors nor the Company gives any undertaking to conduct its activities in a way that qualifies for or preserves its status.
- 12.4 Inheritance Tax (IHT) relief – Unquoted ordinary shares in companies such as the Company qualify for 100 per cent. IHT Business Property Relief, provided they have been held for two years prior to an event giving rise to a potential charge to IHT. If an individual shareholder makes a lifetime gift of shares, or dies whilst still the holder of the shares, IHT may not be payable provided the shares have been held for at least two years prior to the gift or death. In the event of a lifetime gift, the transferee may need to retain the shares for up to seven years to ensure Business Property Relief remains available to the transferor.
- 12.5 Taxation of chargeable gains – For individuals, trustees and personal representatives disposals of shares are generally identified on a LIFO (last in, first out) basis for the purpose of calculating gains chargeable to tax. In addition gains made by individuals, Trustees and Personal Representatives may qualify for taper relief. This relief reduces the amount of a chargeable gain on disposal, depending on the length of time the shares have been held since 6 April 1998, or the date of acquisition if later. With effect from 6 April 2000, shareholdings in unquoted trading companies qualify as business assets, eligible for enhanced rates of taper relief. Shares issued on or after 6 April 2000 qualify for the maximum taper relief after two years, potentially reducing the effective capital gains tax rate on disposal to 10 per cent. for a higher rate taxpayer. The above rules do not apply to corporate shareholders, to which share “pooling” and indexation rules apply.
- 12.6 Taxation of dividends – Under UK tax legislation, no tax is withheld at source from UK Company dividend payments, although such payments carry a notional tax credit of one-ninth of the dividend paid. Individual basic rate taxpayers have no further tax to pay on the dividend, but non-taxpayers will not be entitled to any repayment of the associated tax credit. Higher rate taxpayers have a tax liability at the rate of 32.5 per cent. on the gross value of the dividend. After taking account of the associated tax credit, the additional liability equates to 25 per cent. of the cash dividend. Trustees of discretionary trusts liable to account for income tax at the rate applicable to trusts, have a tax liability at the Schedule F Trust rate of 32.5 per cent. on the gross value of the dividend. After taking account of the associated notional tax credit, the additional liability equates to 25 per cent. of the cash dividend. UK resident corporate shareholders will not normally be liable to UK corporation tax or income tax on any dividends received from the Company. Shareholders who are resident in countries other than the UK may be entitled to a credit for all or a proportion of the associated tax credit. Shareholders not resident in the UK should consult their own tax advisor on the application of such provisions and the procedure for claiming relief.

**The above is a general summary of certain tax reliefs which may be available and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation advisor before applying for any New Ordinary Shares.**

### 13. Litigation

There are no governmental, legal or arbitration proceedings in which the Company is involved or of which the Company is aware are pending or threatened by or against the Company which may have or have had in the 12 months preceding the date of this document a significant effect on the Company’s financial position or profitability.

### 14. General

- 14.1 The total proceeds of the Placing are expected to be £6 million. The estimated amount of the expenses of the Placing which are all payable by the Company, is approximately £0.6 million (excluding VAT). This amount includes an estimated commission of approximately £0.24 million payable by the Company. The net proceeds of the Placing will be approximately £5.4 million.
- 14.2 RSM Robson Rhodes LLP, registered to carry out audit work by the Institute of Chartered Accountants in England and Wales, are the auditors of the Company and have given and have not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which it appears and their report in Part IV of this document and accept responsibility for their report for the purposes of Schedule 2 of the AIM Rules.
- 14.3 Brewin Dolphin, whose registered office is at 12 Smithfield Street, London EC1A 9BD, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 14.4 There has been no significant change in the financial position of the Company since 31 March 2007, the date to which the financial information in Part V of this document was prepared.

- 14.5 The number of employees employed by the Group as at 31 March 2007 was 48.
- 14.6 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- 14.7 There have been no interruptions in the business of the Company which may have or have had in the 12 months preceding publication of this document a significant effect on the financial position of the Company.
- 14.8 The Placing Price represents a premium of 145p over the nominal value of 5 pence per Ordinary Share. The premium arising on the Placing amounts to £5.8 million in aggregate.
- 14.9 There is no minimum amount which, in the opinion of the Directors, must be raised from the Placing.
- 14.10 The accounting reference date of the Company is 30 September.
- 14.11 The Ordinary Shares are in registered form. No temporary documents of title will be issued under the Placing.
- 14.12 Save as disclosed in this document there have been no payments by the Company to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 14.13 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade suppliers dealing with the Company) has received, directly or indirectly, from the Company, within the 12 months preceding the Company's application for Admission:
- (a) fees totalling £10,000 or more;
  - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 14.14 Save as disclosed in this document, the Directors are not unaware of any exceptional factors which have influenced the Company's activities.
- 14.15 Save as disclosed in this document, there are no investments in progress which are significant to the Company.
- 14.16 The financial information contained in Part 3 of this document does not constitute statutory accounts within the meaning of section 240 of the Act. No statutory accounts have yet been prepared by the Company.

## **15. Documents for Inspection**

- 15.1 Copies of this document will be available free of charge to the public at the offices of Brewin Dolphin, at 12 Smithfield Street, London EC2A 9BD from the date of this document until one month from Admission to trading on AIM.

Dated 31 May 2007

# ADDITIONAL INFORMATION

## PART VII

### DEFINITIONS

“Act”	the Companies Act 1985 (as amended by the Companies Act 2006 or otherwise)
“Admission”	admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM
“AIM Rules”	the rules for AIM companies and their nominated advisers as issued by the London Stock Exchange, as amended from time to time
“Articles”	the articles of association of the Company
“Board” or “Directors”	the directors of the Company whose names are set out on page 5 of this document
“Brewin Dolphin”	Brewin Dolphin Securities Limited
“Combined Code”	the Combined Code on Corporate Governance published by the Financial Reporting Council
“Company” or “Pressure Technologies”	Pressure Technologies plc, or its business, as the context requires
“CPSG”	Chesterfield Pressure Systems Group Limited, a wholly owned subsidiary of the Company
“CREST”	the computerised settlement system to facilitate the transfer of title in shares in un-certificated form, operated by CRESTCO
“CRESTCo”	CRESTCo Limited, the operator (as defined in the CREST Regulations) of the system for trading shares in un-certificated form known as CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (as amended)
“CSC”	Chesterfield Special Cylinders Limited, a wholly owned subsidiary of CPSG.
“Existing Ordinary Shares”	the 7,333,620 Ordinary Shares in issue at the date of this document
“FSA”	the Financial Services Authority
“Group” or “Pressure Technologies Group”	Pressure Technologies plc and all its subsidiaries
“Issue Price” or “Placing Price”	150p per Ordinary Share
“London Stock Exchange”	London Stock Exchange plc
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company (ISIN: GB00B1XFKR57)
“Placing”	the conditional placing by Brewin Dolphin of the Placing Shares and the Sale Shares at the Issue Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement relating to the Placing dated 31 May 2007 between the Company, Brewin Dolphin, the Selling Shareholders and the Directors, details of which are contained in paragraph 9.1 of Part VI of this document
“Placing Shares” or “New Ordinary Shares”	the 4,000,000 new Ordinary Shares to be issued pursuant to the Placing

“Provisional Clearance”	provisional assurance from the Inland Revenue that the Ordinary Shares will comply with the provisions of schedule 28 of the Income and Corporation Taxes Act 1988 (“ICTA”)and will be a qualifying shareholding under that schedule
“Sale Shares”	the 2,430,198 Existing Ordinary Shares to be placed on behalf of the Selling Shareholders
“Selling Shareholders”	SYIF, Y&H, Mr P Catton, Mr P Redfern and Mr A Harding
“Shareholder”	a holder of the Company’s Ordinary Shares
“Share Option Schemes”	the Save as you earn (“SAYE”) Scheme, the Performance Share Plan (“PSP”), the Long Term Share Incentive Plan (“LTIP”), the Enterprise Management Incentive Plan (“EMI”), the Company Share Option Plan (“CSOP”) as summarised in paragraph 10 of Part VI
“SYIF”	South Yorkshire Investment Capital Fund LP
“UK GAAP”	Generally Accepted Accounting Practice in the United Kingdom
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US” or “USA”	the United States of America, its territories and possessions, any state of the United States and the district of Columbia
“VCT”	Venture Capital Trust
“Y&H”	Yorkshire & Humber Equity Fund No 1 LP, previously known as the Yorkshire & Humber Regional Venture Capital Fund No 1 LP





