


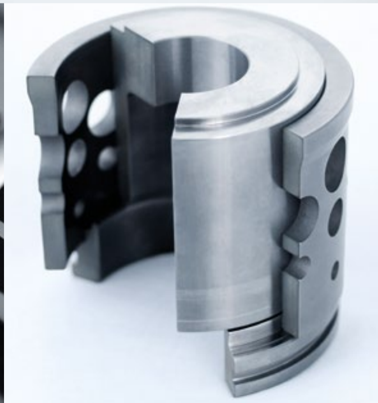


Advancing safety and reliability in demanding environments

Pressure Technologies

INTERIM REPORT 2019

Leading UK designers and manufacturers of high-integrity, safety-critical components and systems serving global supply chains in oil and gas, defence, industrial gases and hydrogen energy markets

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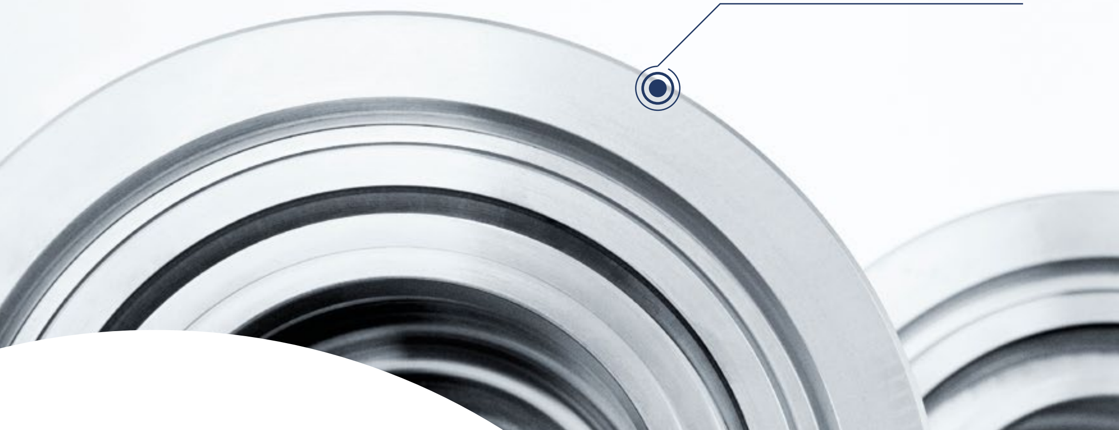
Origin: Made in South Wales



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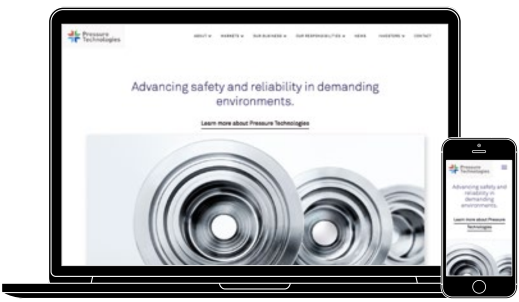

Financial Results*

Group revenue	Gross profit	Adjusted operating profit**
£14.5m (2018: £9.1m)	£5.0m (2018: £2.9m)	£1.3m (2018: £(0.1)m)
Reported profit before tax	**Reported basic earnings per share**	**Adjusted operating cash inflow*** **
£0.1m (2018: £(1.5)m)	1.6p (2018: loss (5.5)p)	£0.7m (2018: outflow £2.2m****)

Net banking facility debt

£7.9m

(31 March 2018: £8.4m; 29 September 2018: £5.7m)

* all results presented are for continuing operations. Prior period income statements have been restated to exclude discontinued operations.
** before M&A costs, amortisation and exceptional charges.
*** before exceptional cash costs.
**** including cash flow from discontinued operations.

Operational Highlights

- Period of transition for the Group, led by Chief Executive, Chris Walters and his team, including operational management changes and progress made with organisational development and culture.
- Alternative Energy division divestment completed post period end, enabling focus on core specialist engineering activities in target markets.
- First delivery by Chesterfield Special Cylinders of customer orders for innovative projects in the emerging hydrogen energy sector.
- Growth continues in Integrity Management services, especially in-situ deployments, and the outlook for this high-margin area remains strong.
- Restructuring and new leadership of the Precision Machined Components division will underpin the strategy for organic growth and drive operational efficiencies, cost savings and improved margins.
- Strategy review undertaken in March, confirming strategic focus areas and objectives that will deliver phased growth and create value over the next five years.
- Investment in new equipment of £0.6 million across the two divisions, with a further £2.7 million planned for this calendar year.

Contents

> The Board is confident that the performance for the full year will be in line with management expectations. Operational management changes, clear strategic focus for the remaining divisions and improving market conditions all underpin the Board's confidence in the outlook for the Group.

Neil MacDonald
Chairman

I am pleased to present our unaudited interim results for the 26 weeks to 30 March 2019.

First-half trading reflects the phasing of defence projects in our Chesterfield Special Cylinders (CSC) division and growing momentum in the oil and gas market for our Precision Machined Components (PMC) division, with overall Group revenue from these continuing operations increasing by 59% to £14.5 million (2018: £9.1 million) and delivering a 73% increase in gross profit to £5.0 million (2018: £2.9 million).

Overall, the Group has delivered an adjusted operating profit for the period of £1.3 million, compared with a loss of £0.1 million in the first half of 2018 and a full year profit for 2018 of £1.0 million.

On 4 June 2019, we were pleased to complete the sale of our Alternative Energy division to Vancouver-based Creation Capital Corporation LLC, now renamed and listed as Greenlane Renewables Inc. (Greenlane). This strategic divestment now gives the Group a clear focus on the growth and development of its core specialist engineering activities. We remain a supportive shareholder in Greenlane and look forward to realising value from delivery of their vision for the business in the medium term.

Balance sheet and cash flow

Net banking facility debt at 30 March 2019 was £7.9 million, up from £5.7 million at 29 September 2018. This increase reflects the delayed disposal of the Alternative Energy division, which completed post period end, the phasing of large defence projects in CSC and a net investment in PMC working capital.

Finance leases at 30 March 2019 totalled £1.4 million, up from £1.1 million at 29 September 2018 the increase supporting capital investment in the PMC division in the first half.

Leadership and strategy

This has been a period of transition for the Group, led by Chief Executive, Chris Walters and his team. A strategy review was undertaken during the first half of the year which confirmed the areas of strategic focus for the continuing divisions that will deliver growth and create value in three phases over the next five years. Priorities for the first phase have been to complete the divestment of non-core divisions, to return the Group to profitable trading and to establish plans, leadership and resources for organic growth in the second phase.

Key initiatives covering sales effectiveness, production planning and efficiency, engineering processes and supply chain management will drive the delivery of organic revenue growth and margin improvement in the second phase from Autumn this year. The initial priority is to demonstrate the organic growth potential of the refocused Group, but we will continue to appraise growth and development through acquisition, where we see opportunities to advance our scale, technical capability and reach into new sectors and regions, as part of a third strategic phase.

Central Group support in Finance, Human Resources, IT and QHSE remain fundamental to delivering the Group strategy and maintaining sustainable growth. We expect to realise the benefits of this investment in professional support over a greater scale in our core specialist engineering divisions as they grow.

There is a positive dynamic to the leadership team that is facilitating organisational development and cultural change, driving collaboration between operational teams across the Group and supporting overall performance improvement.

Board change

On 6 June 2019, we announced the resignation of Alan Wilson as Non-Executive Chairman. The Directors will be undertaking a process to make new Non-Executive Director appointments to the Board in due course.

Precision Machined Components

Total external revenue increased by 29% to £6.8 million (2018: £5.3 million), operating profit increased by 24% to £0.8 million (2018: £0.6 million), but return on sales decreased by 0.5 percentage points to 11.3% (2018: 11.8%).

Throughout the first half of this year, we have seen improving activity and sentiment in the oil and gas market, evidenced by increasing enquiry levels and order intake. Demand for highly specialised drilling, production and valve components from new and existing OEM customers has increased sharply in this period, driven by the continuing recovery in global exploration and production capex, notably for engineering projects in South America, West Africa and the North Sea regions. Oil field developments in the Middle East are also showing positive signs of growth in opex and demand for wear-resistant flow control parts.

Order intake reached record levels during this half-year, with the order book being 83% higher at the end of March 2019 than it was a year ago. Lead times have increased in the supply chain for materials and subcontracted services due to capacity constraints. The sharp upturn in order intake and customer demand for shorter lead times have strained the PMC subsidiary companies in this period and adversely impacted operating performance and margins, most notably in the Al-Met and Quadscot subsidiaries.

To address this, management changes and a new divisional operating model have been implemented, replacing the acquired subsidiary structure and local Managing Director roles with centralised leadership and control of production and engineering, sales and customer management, quality and purchasing functions. These changes have been made to take full advantage of scale and diversity in the division and they underpin our strategy for organic growth, helping to drive operational efficiencies, cost savings and margin improvements.

The recent introduction of advanced machining centres, specialist production engineers and centralised material purchasing will help reduce lead times and improve margin performance in the medium-term. Investment in the sales team and key account management will help drive sales and new customer acquisition and ensure that we maintain good visibility of customer project pipelines to facilitate production planning and resourcing.

Over the short term, strategic diversification of customers and manufactured products will result in reduced return on sales as a result of the changing mix of revenues, new customer onboarding and time invested in design development.

Investment in new equipment was £0.3 million in the first half of this year and a further £1.7 million is planned for this calendar year, along with investment in IT infrastructure and an upgraded manufacturing resource planning system.

Chesterfield Special Cylinders

Total revenue in the first half almost doubled to £7.7 million (2018: £3.9 million) and operating profit recovered to £1.4 million from a break-even position in H1 2018. Return on sales was 17.9% (2018: break-even).

As the leading global supplier of specialist cylinders to the world's NATO-friendly navies, revenue from this market is driven by global defence programmes and this half-year performance reflects the phasing of programmes which ramped up during the second half of 2018. Our primary focus is on increasing project margins through stronger commercial and project management and through improved productivity and supply chain efficiencies.

Major defence programmes are often subject to changing schedules and technical variations outside our control. The volume of defence work in the second half is expected to be lower than in the first, with revenue weighted to other sectors that attract lower gross margins. As a result, return on sales in the second half is expected to be lower than for the first.

In the offshore oil and gas sector, air pressure vessel demand for drillship and semi-submersible projects is expected to start a recovery as late as 2021, due to meaningful over-supply of these offshore units. Despite this, we recently secured two major orders for delivery in 2020 and delivered one project in the first half of 2019.

Growth in the emerging hydrogen energy supply chain is a key area of focus, with two orders for large high-pressure ground storage cylinders secured over the past year for projects in the UK and overseas. With a dedicated hydrogen solutions team and extensive sales pipeline, we are well positioned to secure a strong share of this market as it expands further in the UK and globally.

Integrity Management services has seen another period of growth, principally driven by increased demand for in-situ inspection, maintenance and recertification projects from naval and oil and gas customers. This has driven further recruitment and specialist training in this strategic growth area.

Investment in new equipment was £0.3 million in the first half and a further £1.0 million is planned, along with investment in IT infrastructure and an enterprise resource planning system.

On 6 March 2019 we announced that Chesterfield Special Cylinders submitted a plea of not guilty to a charge brought by HSE pursuant to the Health and Safety at Work Act 1974. The Company emphatically denies the charge brought by HSE and will deliver a strong defence. The case was referred to Sheffield Crown Court and has been listed for trial.

Outlook

Favourable trading conditions in global oil and gas markets that PMC serves are expected to remain throughout the rest of this calendar year and continue through 2020. We are pleased with the progress being made to expand and diversify our customer base, product range and regional coverage in this sector, underpinning optimism for further organic growth in the division. We expect the impact of management changes and the transition to a divisional operating structure in PMC to take the remainder of the financial year to complete. We expect a lower return on sales from higher revenue through this transitional period.

For the CSC division, lower revenues from defence contracts over the short term will reduce margins in the second half of the year. Air pressure vessel demand for offshore oil and gas projects remains uncertain over the medium term and contracts are likely to be sporadic ahead of an anticipated recovery from 2021. Growth continues in Integrity Management services, especially in-situ deployments, and the outlook for this high-margin area is strong over the next couple of years. Recent successes in the hydrogen energy market have positioned us well to secure further potentially significant projects in this exciting growth sector.

The Board is confident that the performance for the full year will be in line with management expectations. Operational management changes, clear strategic focus for the remaining divisions and improving market conditions all underpin the Board's confidence in the outlook for the Group.

Neil MacDonald
Chairman
25 June 2019

Neil MacDonald

Independent Non-Executive Chairman

Appointed
June 2013

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

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

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

Chris Walters

Chief Executive

Appointed
September 2018

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

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

External commitments
- Trustee of the Royal National Lifeboat Institution (RNLI) and Technical Committee Chairman.
- Freeman of the Company of Cutlers in Hallamshire.

Joanna Allen

Chief Financial Officer

Appointed
July 2015

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

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

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

Brian Newman

Senior Independent Non-Executive Director

Appointed
September 2015

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Unaudited 26 weeks ended 30 March 2019 £'000**	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Revenue from continuing operations	4	**14,484**	9,138	21,166
Cost of sales		**(9,440)**	(6,286)	(13,931)
Gross profit		**5,044**	2,852	7,235
Administration expenses		**(3,696)**	(2,916)	(6,186)
Operating profit/(loss) before M&A costs, amortisation and exceptional charges		**1,348**	(64)	1,049
Separately disclosed items of administrative expenses:				
Amortisation and M&A related exceptional items	5	**(911)**	(904)	(1,816)
Other exceptional charges	6	**(122)**	(362)	(511)
Operating profit/(loss) from continuing operations		**315**	(1,330)	(1,278)
Finance costs		**(226)**	(184)	(400)
Profit/(loss) before taxation from continuing operations		**89**	(1,514)	(1,678)
Taxation	7	**209**	533	589
Profit/(loss) for the period from continuing operations		**298**	(981)	(1,089)
Discontinued operations				
Loss for the period from discontinued operations	8	**(2,338)**	(3,463)	(3,999)
Loss for the period attributable to owners of the parent		**(2,040)**	(4,444)	(5,088)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency transaction differences on translation of foreign operations		**117**	10	(60)
Total comprehensive income for the period attributable to the owners of the parent		**(1,923)**	(4,434)	(5,148)
Basic earnings/(loss) per share				
From continuing operations	9	**1.6p**	(5.5)p	(6.0)p
From discontinued operations	9	**(12.6)p**	(19.5)p	(22.0)p
From loss for the period		**(11.0)p**	(25.0)p	(28.0)p
Diluted earnings/(loss) per share				
From continuing operations	9	**1.6p**	(5.5)p	(6.0)p
From discontinued operations	9	**(12.6)p**	(19.5)p	(22.0)p
From loss for the period		**(11.0)p**	(25.0)p	(28.0)p

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**Unaudited 26 weeks ended 30 March 2019 £'000**	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Non-current assets				
Goodwill		**9,510**	14,370	14,370
Intangible assets		**7,298**	12,652	11,444
Property, plant and equipment		**12,355**	12,233	12,032
Deferred tax asset		**402**	343	402
Asset held for sale	8	**6,801**	—	—
		36,366	39,598	38,248
Current assets				
Inventories		**4,276**	5,972	4,383
Trade and other receivables		**8,244**	10,042	11,998
Cash and cash equivalents	10	**4,363**	3,883	6,140
Current tax asset		**28**	421	35
		16,911	20,318	22,556
Total assets		**53,277**	59,916	60,804
Current liabilities				
Trade and other payables		**(6,389)**	(10,042)	(12,745)
Borrowings	10	**(365)**	(220)	(241)
Current tax liabilities		**(1)**	—	—
		(6,755)	(10,262)	(12,986)
Non-current liabilities				
Other payables		**(178)**	(218)	(198)
Borrowings	10	**(13,371)**	(13,009)	(12,636)
Deferred tax liabilities		**(1,449)**	(1,944)	(1,591)
		(14,998)	(15,171)	(14,425)
Total liabilities		**(21,753)**	(25,433)	(27,411)
Net assets		**31,524**	34,483	33,393
Share capital		**930**	931	930
Share premium account		**26,172**	26,451	26,172
Translation reserve		**(348)**	(395)	(465)
Retained earnings		**4,770**	7,496	6,756
Total equity		**31,524**	34,483	33,393

For the 26 weeks ended 30 March 2019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	**Share premium account £'000**	**Translation reserve £'000**	**Profit and loss account £'000**	**Total equity £'000**
Balance at 29 September 2018 (audited)	**930**	**26,172**	**(465)**	**6,756**	**33,393**
Share based payments	**—**	**—**	**—**	**54**	**54**
Transactions with owners	**—**	**—**	**—**	**54**	**54**
Profit for the period – continuing ops	**—**	**—**	**—**	**298**	**298**
Loss for the period – discontinued ops	**—**	**—**	**—**	**(2,338)**	**(2,338)**
Exchange differences arising on retranslation of foreign operations	**—**	**—**	**117**	**—**	**117**
Total comprehensive income	**—**	**—**	**117**	**(2,040)**	**(1,923)**
Balance at 30 March 2019 (unaudited)	**930**	**26,172**	**(348)**	**4,770**	**31,524**

For the 26 weeks ended 31 March 2018

	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 30 September 2017 (audited)	725	21,637	(405)	11,846	33,803
Share based payments	—	—	—	94	94
Shares issued	206	4,814	—	—	5,020
Transactions with owners	206	4,814	—	94	5,114
Loss for the period – continuing ops	—	—	—	(981)	(981)
Loss for the period – discontinued ops	—	—	—	(3,463)	(3,463)
Exchange differences arising on retranslation of foreign operations	—	—	10	—	10
Total comprehensive income	—	—	10	(4,444)	(4,434)
Balance at 31 March 2018 (unaudited)	931	26,451	(395)	7,496	34,483

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital £'000	Share premium account £'000	Translation reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 30 September 2017 (audited)	725	21,637	(405)	11,846	33,803
Share based payments	—	—	—	(2)	(2)
Shares issued	205	4,535	—	—	4,740
Transactions with owners	205	4,535	—	(2)	4,738
Loss for the period – continuing ops	—	—	—	(1,089)	(1,089)
Loss for the period – discontinued ops	—	—	—	(3,999)	(3,999)
Exchange differences on translating foreign operations	—	—	(60)	—	(60)
Total comprehensive income	—	—	(60)	(5,088)	(5,148)
Balance at 29 September 2018 (audited)	930	26,172	(465)	6,756	33,393

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Cash flows from operating activities			
Profit/(loss) after tax – continuing operations	**298**	(981)	(1,089)
Loss after tax – discontinued operations	**(2,338)**	(3,463)	(3,999)
Adjustments for:			
Depreciation of property, plant and equipment	**656**	697	1,378
Finance costs – net	**226**	182	394
Amortisation of intangible assets	**911**	1,286	2,584
(Profit)/loss on disposal of property, plant and equipment	**(35)**	2	(69)
Share option costs	**54**	94	(2)
Income tax credit	**(209)**	(533)	(589)
Exceptional goodwill impairment	**—**	1,692	1,692
Changes in working capital:			
Increase in inventories	**(472)**	(986)	(521)
(Increase)/decrease in trade and other receivables	**(124)**	1,297	(1,613)
Increase/(decrease) in trade and other payables	**(697)**	(1,802)	2,125
Cash flows from operating activities	**(1,730)**	(2,515)	291
Finance costs paid	**(201)**	(100)	(394)
Income tax refunded/(paid)	**35**	(56)	(56)
Net operating cash flow from operations discontinued in the period to 30 March 2019	**301**	—	—
Net cash from operating activities	**(1,595)**	(2,671)	(159)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(597)**	(441)	(1,009)
Proceeds from sale of fixed assets	**35**	26	127
Cash inflow on disposal of subsidiaries net of cash disposed of	**—**	—	1,088
Net investing cash flow from operations discontinued in the period to 30 March 2019	**—**	—	—
Net cash used in investing activities	**(562)**	(415)	206
Financing activities			
New borrowings	**500**	—	—
Repayment of borrowings	**(120)**	(2,842)	(3,438)
Shares issued	**—**	5,020	4,740
Net financing cash flow from operations discontinued in the period to 30 March 2019	**—**	—	—
Net cash from financing activities	**380**	2,178	1,302
Net (decrease)/increase in cash and cash equivalents	**(1,777)**	(908)	1,349
Cash and cash equivalents at beginning of period	**6,140**	4,791	4,791
Cash and cash equivalents at end of period	**4,363**	3,883	6,140

1. Basis of preparation

The Group's interim results for the 26 weeks ended 30 March 2019 are prepared in accordance with the Group's accounting policies which are based on the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the EU and effective from 29 September 2018. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 Interim financial reporting and therefore the interim information is not in full compliance with IFRS. The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2018 annual report and financial statements, with the exception of the adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments as detailed below.

The Group's 2018 financial statements for the 52 weeks ended 29 September 2018 were prepared under IFRS. The auditor's report on these financial statements was unmodified and did not contain statements under Sections 498(2) or (3) of the Companies Act 2006 and they have been filed with the Registrar of Companies.

The consolidated financial statements are prepared under the historical cost convention as modified to include the revaluation of financial instruments.

The financial information for the 26 weeks ended 30 March 2019 and 31 March 2018 has not been audited or reviewed and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. The unaudited interim financial statements were approved by the Board of Directors on 24 June 2019.

2. New Standards adopted as at 30 September 2018

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations. The new standard has been applied retrospectively without restatement as it had no material impact to retained earnings.

Continuing revenue arises mainly from the manufacture of pressure containment products and components and related services in the Group's core sectors which are Oil and Gas, Defence, Industrial Gases and Hydrogen energy.

To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining a transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised either at a point in time or over time, when or as the Group satisfies performance obligations by transferring promised goods or services to its customers.

2. New Standards adopted as at 30 September 2018 (continued)

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly if the Group satisfies a performance obligation before it receives the consideration, then it will recognise either a contract asset or a receivable in its statement of financial position.

IFRS 15 does not include any guidance on how to account for loss-making contracts. Accordingly, such contracts are accounted for using the guidance in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Under IAS 37, the assessment of whether a provision needs to be recognised takes place at the contract level and there are no segmentation criteria to apply. As a result, there are some instances where loss provisions recognised in the past have not been recognised under IFRS 15 because the contract as a whole is profitable. In addition, when two or more contracts entered into at or near the same time are required to be combined for accounting purposes, IFRS 15 requires the Group to perform the assessment of whether the contract is onerous at the level of the combined contracts. The Group also notes that the amount of loss accrued in respect of a loss-making contract under IAS 11 takes into account an appropriate allocation of construction overheads. This contrasts with IAS 37 where loss accruals may be lower as they are based on the identification of 'unavoidable costs'.

The Group also generates additional revenues from service and maintenance contracts. Revenue on these maintenance and service agreements is recognised in accordance with IFRS 15. Revenue is recognised on a straight-line basis in accordance with the stage of completion of the maintenance or service agreement.

- IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods.

The adoption of IFRS 9 has impacted the following:

- The impairment of financial assets applying the expected credit loss model. This affects the Group's trade receivables. For contract assets arising from IFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

The financial assets are initially measured at fair value and subsequently measured at amortised cost.

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. The Group's financial liabilities include borrowings and trade and other payables.

2. New Standards adopted as at 30 September 2018 (continued)

2.1 Standards and interpretations not yet applied

The following standard will be effective in future periods:

- IFRS 16 Leases (effective date 1 January 2019)

IFRS 16 will not come into effect until the 2020 year end, therefore the impact assessment will be done nearer the time. However, it will result in current operating leases being recognised on the balance sheet.

3. Discontinued operations

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

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

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

4. Segmental analysis and earnings before interest, taxation, depreciation and amortisation (EBITDA)

Revenue by destination – continuing operations

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
United Kingdom	**7,696**	3,684	10,591
Other EU	**3,294**	3,472	6,070
Rest of World	**3,494**	1,982	4,505
	14,484	9,138	21,166

4. Segmental analysis and earnings before interest, taxation, depreciation and amortisation (EBITDA) (continued)

Revenue by sector – continuing operations

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Oil and gas	**7,704**	5,789	12,477
Defence	**5,384**	2,513	6,620
Industrial gases	**955**	820	2,019
Hydrogen energy	**441**	16	50
	14,484	9,138	21,166

Revenue by activity – continuing operations

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Cylinders	**7,651**	3,855	9,942
Precision Machined Components	**7,148**	5,512	11,551
Intra-divisional	**(315)**	(229)	(327)
	14,484	9,138	21,166

4. Segmental analysis and earnings before interest, taxation, depreciation and amortisation (EBITDA) (continued)

Profit/(loss) before taxation by activity – continuing operations

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Cylinders	**1,372**	14	1,099
Precision Machined Components	**772**	625	1,501
Manufacturing subtotal	**2,144**	639	2,600
Unallocated central costs	**(796)**	(703)	(1,551)
Operating profit/(loss) pre amortisation and M&A related exceptional items	**1,348**	(64)	1,049
Amortisation and M&A related exceptional items	**(911)**	(904)	(1,816)
Other exceptional charges	**(122)**	(362)	(511)
Operating profit/(loss)	**315**	(1,330)	(1,278)
Finance costs	**(226)**	(184)	(400)
Profit/(loss) before tax	**89**	(1,514)	(1,678)

The Operating profit/(loss) by activity is stated before the allocation of Group management charges which are included within 'Unallocated central costs'.

Earnings before interest, taxation, depreciation, and amortisation (EBITDA) – continuing operations

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Adjusted EBITDA	**2,004**	554	2,282
Other exceptional charges	**(122)**	(362)	(511)
EBITDA	**1,882**	192	1,771
Depreciation	**(656)**	(618)	(1,233)
Amortisation re: acquired businesses	**(911)**	(904)	(1,816)
Interest	**(226)**	(184)	(400)
Profit/(loss) before tax	**89**	(1,514)	(1,678)

Amortisation on acquired businesses as set out above consists of the amortisation charged on intangible assets acquired as a result of business combinations in previous periods.

5. Amortisation and M&A related exceptional items

M&A related exceptional items and amortisation of intangible assets are shown separately in the Condensed Consolidated Statement of Comprehensive Income. A breakdown of those costs can be seen below:

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Amortisation of intangible assets arising on a business combination	**(911)**	(904)	(1,816)

6. Other exceptional charges

Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional items and are disclosed separately on the face of the Condensed Consolidated Statement of Comprehensive Income.

An analysis of the amounts presented as exceptional items in these financial statements is given below:

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Reorganisation and redundancy	**(122)**	(94)	(156)
Costs in relation to HSE investigation	**—**	(6)	(9)
Share placing costs	**—**	(262)	—
CEO retirement costs	**—**	—	(346)
	(122)	(362)	(511)

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

Given the non-trading nature of these costs, the Directors consider it appropriate to disclose these as exceptional items.

7. Taxation

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Current tax credit	**65**	386	—
Deferred taxation credit	**144**	147	589
Taxation credit to the income statement	**209**	533	589

8. Results of discontinued operations

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Revenue	**1,288**	4,493	13,454
Expenses	**(3,201)**	(5,686)	(14,198)
Operating loss pre amortisation and other exceptional costs	**(1,913)**	(1,193)	(744)
Amortisation	**(418)**	(382)	(768)
Reorganisation and redundancy	**(6)**	(196)	(192)
Costs to sell	**—**	—	(457)
Loss after tax on disposal	**—**	—	(114)
Goodwill impairment	**—**	(1,692)	(1,692)
Loss before taxation	**(2,337)**	(3,463)	(3,967)
Taxation	**(1)**	—	(32)
Loss for the period	**(2,338)**	(3,463)	(3,999)

Engineered Products Division

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

The loss for the period ended 30 March 2019 relating to this division was £nil (period ended 31 March 2018: £1.9 million, period ended 28 September 2018: £2.1 million).

8. Results of discontinued operations (continued)

Alternative Energy Division

In the 12 June 2018 interim statement, the Board communicated they were considering a number of strategic options for the Alternative Energy Division and on 10 December 2018 confirmed that a binding letter of intent with Creation Capital Corp LLC to sell its wholly owned subsidiary, PT Biogas Holdings Limited, the holding company for its Alternative Energy Division.

On 4 June 2019, and as separately communicated to Shareholders on that date, the Group completed the disposal of the entire issued share capital of its subsidiary PT Biogas Holdings Limited.

The Alternative Energy Division assets at 30 March 2019 have been classified for sale in accordance with IFRS 5 Disposal of subsidiaries, businesses and non-current assets. These assets comprise:

	£'000
Goodwill	4,860
Property, plant & equipment	78
Intangible assets	2,821
Inventories	582
Trade and other receivables	2,046
Trade and other payables	(3,586)
Asset held for sale	6,801

As the fair value of the consideration, less costs to sell, is greater than the carrying value of the assets held for sale there is no indicator of impairment at the balance sheet date.

The loss for the period ended 30 March 2019 relating to this division was £2.3 million (period ended 31 March 2018: £1.6 million, period ended 28 September 2018: £1.9 million).

9. Earnings/(loss) per ordinary share

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

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

Adjusted earnings per share shows earnings per share, adjusting for the impact of M&A costs, the amortisation charged on intangible assets acquired as a result of business combinations, any exceptional items, and for the estimated tax impact, if any, of those costs. Adjusted earnings per share is based on the profits as adjusted divided by the weighted average number of shares in issue.

For the 26 week period ended 30 March 2019

	Continuing £'000	Discontinued £'000	Total £'000
Profit/(loss) after tax	**298**	**(2,338)**	**(2,040)**

	No.
Weighted average number of shares – basic	**18,595,165**
Dilutive effect of share options	**—**
Weighted average number of shares – diluted	**18,595,165**

	Continuing	Discontinued	Total
Basic earnings/(loss) per share	**1.6p**	**(12.6)p**	**(11.0)p**
Diluted earnings/(loss) per share	**1.6p**	**(12.6)p**	**(11.0)p**

The Group adjusted earnings/(loss) per share is calculated as follows:

	Continuing	Discontinued	Total
Profit/(loss) after tax	**298**	**(2,338)**	**(2,040)**
Amortisation and M&A related exceptional items (note 5)	**911**	**418**	**1,329**
Other exceptional charges and credits (note 6)	**122**	**6**	**128**
Theoretical tax effect of above adjustments	**(178)**	**(72)**	**(250)**
Adjusted earnings/(loss)	**1,153**	**(1,986)**	**(833)**
Adjusted earnings/(loss) per share	**6.2p**	**(10.7)p**	**(4.5)p**

9. Earnings/(loss) per ordinary share (continued)

For the 26 week period ended 31 March 2018

	Continuing £'000	Discontinued £'000	Total £'000
Loss after tax	(981)	(3,463)	(4,444)

	No.
Weighted average number of shares – basic	17,779,695
Dilutive effect of share options	—
Weighted average number of shares – diluted	17,779,695

	Continuing	Discontinued	Total
Basic loss per share	(5.5)p	(19.5)p	(25.0)p
Diluted loss per share	(5.5)p	(19.5)p	(25.0)p

The Group adjusted earnings/(loss) per share is calculated as follows:

	Continuing	Discontinued	Total
Loss after tax	(981)	(3,463)	(4,444)
Amortisation and M&A related exceptional items (note 5)	904	2,074	2,978
Other exceptional charges and credits (note 6)	362	196	558
Theoretical tax effect of above adjustments	(222)	(103)	(325)
Adjusted earnings/(loss)	63	(1,296)	(1,233)
Adjusted earnings/(loss) per share	0.4p	(7.3)p	(6.9)p

9. Earnings/(loss) per ordinary share (continued)

For the 52 week period ended 29 September 2018

	Continuing £'000	Discontinued £'000	Total £'000
Loss after tax	(1,089)	(3,999)	(5,088)

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

Basic loss per share	(6.0)p	(22.0)p	(28.0)p
Diluted loss per share	(6.0)p	(22.0)p	(28.0)p

The Group adjusted earnings/(loss) per share is calculated as follows:

Loss after tax	(1,089)	(3,999)	(5,088)
Amortisation and M&A related exceptional items (note 5)	1,816	2,460	4,276
Other exceptional charges and credits (note 6)	511	763	1,274
Theoretical tax effect of above adjustments	(439)	(273)	(712)
Adjusted earnings/(loss)	799	(1,049)	(250)
Adjusted earnings/(loss) per share	4.4p	(5.8)p	(1.4)p

10. Reconciliation of net borrowings

	Unaudited 26 weeks ended 30 March 2019 £'000	Unaudited 26 weeks ended 31 March 2018 £'000	Audited 52 weeks ended 29 September 2018 £'000
Cash and cash equivalents	**4,363**	3,883	6,140
Bank borrowings	**(12,300)**	(12,300)	(11,800)
Net debt excluding finance leases	**(7,937)**	(8,417)	(5,660)
Finance leases	**(1,436)**	(929)	(1,077)
Net borrowings	**(9,373)**	(9,346)	(6,737)

During the period the bank committed to extend the facility termination date to 30 April 2020. Accordingly, the directors have concluded that it is appropriate to present the loan as due for repayment after one year.

11. Contingent liabilities

Following the fatal accident at Chesterfield Special Cylinders Limited (CSC) in June 2015, on 8 February 2019 upon the conclusion of their investigation, the Health and Safety Executive (HSE) advised CSC that it intended to prosecute CSC in relation to the accident. During the preliminary hearing held on 6 March 2019 at Sheffield Magistrates Court, CSC submitted a plea of not guilty to a charge brought by HSE pursuant to the Health and Safety at Work Act 1974. The Company emphatically denies the charge brought by HSE. The case was referred to Sheffield Crown Court and has been listed for trial. The Company continues to take legal advice on this matter.

On 1 February 2016 the Sentencing Council's new "Health and Safety Offences, Corporate Manslaughter and Food Safety and Hygiene Offences Definitive Guideline" (2016) came into force. The guidelines set a range of fines dependent on the levels of harm and culpability. These levels are assessed by the Judge when sentencing and not at the time of charges being brought. At this time, due to the nature of the sentencing guidelines it is not possible to determine with any degree of certainty what, if any, financial penalties may be levied on CSC or any other group company as a result of this charge. At such time as the quantum and likelihood of any penalty is able to be reliably determined, further disclosure or provision will be made in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

12. Dividends

No final or interim dividend was paid for either of the 52 week periods ended 30 September 2017 or 29 September 2018. No interim dividend for the 52 week period ending 28 September 2019 is proposed.

13. Post Balance Sheet event

On 4 June 2019, and as separately communicated to Shareholders on that date, the Group completed the disposal of the entire issued share capital of its subsidiary, PT Biogas Holdings Limited, which was the holding company for the Group's Alternative Energy Division, to Creation Capital Corp LLC, a capital pool company listed on the TSX Venture Exchange. The business was previously reported by the Group as the Alternative Energy Division.

Following the conclusion of the private placement by Creation Capital Corp LLC, now renamed Greenlane Renewables Inc. (Greenlane), the final consideration for the sale of £10.1 million comprised:

- £2.0 million cash;
- £2.0 million of Consideration Securities in Greenlane, representing a 21% holding after satisfaction of certain fees and completion incentives; and
- £6.1 million by way of a promissory note. The Promissory Note will (i) be denominated 50% in pounds sterling and 50% in Canadian dollars; (ii) mature 48 months from Completion; (iii) bear interest at the rate of 7% per annum and (iv) be secured by a pledge of all of the issued and outstanding Greenlane Ordinary Shares and all of the assets of Greenlane.

As not all costs of completion have been received as of the date of these statements, the following table shows the estimated consolidated group profit associated with the disposal:

	£'000
Gross proceeds	10,100
Costs of sale – provisional estimate	(1,600)
Net proceeds	**8,500**
Net book value of assets disposed of:	
Goodwill	4,860
Property, plant & equipment	80
Intangible assets	2,682
Inventories	502
Trade and other receivables	1,572
Cash and cash equivalents	723
Trade and other payables	(3,890)
Assets to be disposed	**(6,529)**
Provisional profit on disposal of PT Biogas Holdings Limited	**1,971**

At an entity level in the Company financial statements, after the write off of £12.1 million intercompany debt, the provisional loss on disposal of the investment in PT Biogas Holdings Ltd is £8.4 million.

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