Pressure Technologies plc

Annual Report & Financial Statements

Period ended 1 October 2022

Company No: 06135104

Contents of the Annual Report and Financial Statements

Company information

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Chair's statement

FY22 was a challenging period for the Group, as results were impacted by a combination of defence contract delays, operational and supply chain disruption and slower than expected recovery in the oil and gas market. The Group incurred increased operating losses for the full year, as performance in the second half fell significantly below the level anticipated. I am pleased to say that market conditions have improved considerably in FY23, and we have made significant operational improvements to ensure that the Group benefits from strong orderbooks in both divisions.

I apologise for the delay in issuing these FY22 results. Late in the auditor's review of the financial statements, it was determined that the accounting methodology adopted in Chesterfield Special Cylinders since FY19 for large, multi-year naval contracts with a specific customer was incorrect in respect of the timing of cost and profit recognition. The correction of this error impacted the previously reported results for FY21, which have been restated, and also reduced operating profit for FY22 below our previous expectations, albeit with a corresponding increase in the expected profit contributions from these contracts in FY23 and FY24. These corrections and restatements impact the timing of profit recognition over the life of the contract, but do not change overall contract profitability, nor do they affect the value or timing of future cash flows.

On 6 February 2023, we announced the award of a £18.2 million major defence contract, underpinning the defence orderbook and outlook for Chesterfield Special Cylinders in FY23 and FY24. We are also encouraged by diversification opportunities for pressure system inspection and testing services, including Integrity Management field deployments and cylinder reconditioning and recertification services. These activities cover established defence and offshore markets, while new opportunities are developing for industrial gas and hydrogen storage applications.

We are very well positioned in the emerging market for hydrogen storage and transportation. However, order placement by established and new customers was slower than expected during FY22 and the first half of FY23, influenced by constraints and delays in the supply chain for components required in the generation and compression of hydrogen for refuelling and decarbonisation projects. Despite these delays, we are confident of securing several contracts in the second half of 2023 and remain positive about the prospects for Chesterfield Special Cylinders in the hydrogen energy market for new build storage and transport solutions, and for the through-life inspection, testing and recertification of hydrogen systems over the medium and longer term.

Since 2020, our Precision Machined Components division has felt the significant impact of the Covid-19 pandemic and the downturn in oil and gas markets and the division was loss making in FY22. We are pleased and encouraged by the steady recovery in order intake and order book development for the division, which has traded in line with expectations throughout the first half of FY23 and returned to profitability at the end of the second quarter, as we realised the benefits of increased volumes and the operational improvements made over the past few years. OEM customers continue to forecast strong recovery in demand for specialised components for oil and gas exploration and production projects over the next three to five years. On 27 March 2023, we announced a record £3.0 million order from an established international OEM customer for the supply of flow control components and subassemblies. Order intake has continued to grow in line with customer sentiment and project activity, further strengthening the divisional order book for FY23 and well into the first half of FY24.

Improved trading and a stronger market outlook have presented the Group with the potential opportunity to divest Precision Machined Components activities in order to raise funds and support strategic priorities within Chesterfield Special Cylinders. This opportunity is being actively pursued and all options under consideration will seek to deliver optimum shareholder value.

On 6 December 2022 we completed a £2.1 million equity fundraise with support from institutional and retail shareholders. The funds raised have provided important flexibility and liquidity during the first half of FY23 as a bridge to stronger cash generation from major contracts in Chesterfield Special Cylinders and the return to profitability in Precision Machined Components. Ernst & Young LLP continues to support the Group with the review of funding options to replace the Lloyds Bank facility with new arrangements that provide increased liquidity, greater flexibility and the required working capital to support the Group's strategic plans. We expect to complete the refinancing project in the second calendar quarter of 2023.

In April 2022 we were pleased to welcome Chris Webster to the Group as Chief Operating Officer. Chris has brought considerable operational experience to the business through his thirty-year career in manufacturing and has already made a positive impact across all sites, improving production efficiencies, supply chain controls and project management that all support improved forecasting and underpin our growth plans.

On 17 January 2023, we announced the appointment of Steve Hammell as Chief Financial Officer. Steve joined the business on 2 May 2023 and will join the Board from 23 May 2023, immediately after publication of the FY22 accounts. Steve takes over from James Locking who left the Board on 3 March 2023. We would like to thank James for his contribution and service to the business over the past four years and wish him every success for the future.

Further to our announcement made on 21 March 2023, I am pleased to confirm that Richard Staveley will also join the Board from 23 May 2023.

With a strong order book, a strengthened executive team and clear strategic focus for the Group, we are excited about opportunities in the medium to long term and remain confident in meeting full-year market expectations for FY23.

Nick Salmon
Chair
22 May 2023

Strategic report

Overview - Pressure Technologies

We work in close collaboration with our customers who require unique solutions when developing and manufacturing highly engineered products for use in harsh operating environments. We continue to build on our unrivalled 120 years of engineering heritage, by hiring and developing highly skilled craftsmen and design engineers who have the creativity and ingenuity required to solve complex design and manufacturing challenges. This differentiates us from competitors, and we are committed to continuously investing in people and technologies to position the company at the forefront of engineering excellence.

Chesterfield Special Cylinders

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

CSC's high-pressure cylinders are a critical component for a number of end applications, from high-pressure systems in naval submarines and surface vessels to oxygen cylinders in fighter jets, from the bulk storage of industrial gases to air pressure vessels in floating oil platform motion compensation systems and more recently for hydrogen transport refuelling and energy storage.

Integrity Management services are a growing part of the business, where safety-critical cylinders cannot be removed for routine maintenance and are inspected and certified 'in-situ', minimising operational disruption and increasing system availability, while factory reconditioning and recertification services extend the life of bulk gas storage systems and road trailers to meet demanding safety requirements. These services have been built on CSC's unrivalled industry knowledge and OEM experience.

Precision Machined Components

The Precision Machined Components (PMC) division comprises the three brands of Roota Engineering, Al-Met and Martract. These brands are all leaders in their markets, with world-class lead times, highly specialised precision engineering skills and a blue-chip customer base. Strong partnerships are formed with customers to develop technical solutions for their end-product applications.

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

Where we operate

Our manufacturing is UK based, with businesses serving a global blue chip customer base from four operational sites.

Our stakeholders

The Board fully recognises that long-term growth and profitability are enhanced when businesses behave in a sustainable and responsible manner, with respect for the environment and all stakeholders. The Group's stakeholders include Customers, Employees, Shareholders, Suppliers, Government & Regulators and the Communities in which the Group's businesses operate. The Group actively encourages good communications with all stakeholders.

Customers

Our customers are pioneers in what they do. We work in close collaboration with them to develop technical solutions for their engineering needs and produce products that can be trusted to deliver in environments where failure would be catastrophic. Customer feedback helps us measure customer satisfaction. Customer satisfaction and loyalty are crucial factors that determine our financial performance and we look to improve this constantly.

- Building and maintaining robust relationships and maintaining an appropriate level of communication with our customers will ensure that:
    - they receive the information they require;
    - they are consulted;
    - their needs and requirements are heard and actioned; and
    - there is a formal feedback process in place.

Employees

It is the policy of the Group to communicate with employees through site-based employee forums and by regular briefing meetings conducted by senior management. A long-term view of the business is encouraged through the provision of defined contribution pension schemes, SAYE share option schemes for UK based employees, and performance bonuses. A long-term incentive plan is provided for the executive management through a Value Creation Scheme.

Committed, well trained, highly skilled and motivated employees are at the heart of our business. We strive to create a working environment where our employees can fulfil their potential by offering training, including apprenticeships and career development opportunities. By doing this, we get the best from our people who enjoy working with us. We developed with our employee representatives a new set of four company values that capture what it means to work for the Group and underpin our brand.

In January 2018, we carried out the first employee engagement survey using a benchmarked UK index provided by Best Companies. Further surveys were carried out in October 2019, October 2020 and June 2021. Response rates and engagement scores have improved steadily across the Group over that period and helped develop positive changes across all sites. Following changes to the management of the Group HR function, the next survey is scheduled for June 2023.

Shareholders

Through strong management, we have demonstrated resilience during challenging market conditions, responding to changing environments, including the Covid-19 pandemic, depressed oil and gas markets and the war in the Ukraine, and reviewing the focus of the Group to ensure we remain well positioned to deliver value to shareholders. The executive directors meet periodically with the Group's larger financial investors.

- The Group actively encourages good communication with all shareholders from the largest to the smallest.
- Feedback is obtained following all investor meetings and this is reviewed by the Board.
- The executives will often host or attend events for new and existing private investors.
- The Group has always aimed to accommodate investors who wish to visit its manufacturing sites.

Suppliers

Strong and forward-looking relationships with our suppliers allow us to deliver our products and services on time and in accordance with high standards:

- We have continued to focus on strengthening our supplier relationships and performance this year, collaborating closely to ensure that our customer needs are met. Recent recruitment in February 2023 has strengthened supply chain management capability.
- We measure and report on supplier quality and on-time delivery performance.
- Our supplier relationship managers ensure that any issues are dealt with promptly and we hold regular meetings with our suppliers to review performance and the outlook for demand.

- We remain committed to the establishment of long-term strategic relationships with our suppliers to improve the efficiency of our operations and to support the long-term commitments made to us by our customers. This has been demonstrated through the collaboration and long-term supply agreements established with CSC's European steel tube suppliers.

Government & Regulators

As a technical leader in our field, we contribute to the development of technical, safety and operational standards that relate to the products we design and manufacture:

- We engage periodically with local and national government representatives and have encouraged visits to our sites.
- We participate regularly in expert working groups with industry and regulatory bodies.
- We communicate regularly and openly regarding policies that relate to the sectors we are involved in.

Community

The Group will comply with both the letter and the spirit of relevant environmental regulations. As part of our ongoing Health and Wellbeing initiative, the Group has again made MIND its featured charity. The Group also continues to support local charities and employees who individually raise money or volunteer for charities.

- The Group is committed to the continuous improvement of its environmental management system. Specifically, the Group seeks to reduce waste and energy use and prevent pollution.
- As part of continuous improvement, it is the policy of the Group to establish measurable environmental objectives and communicate these to all employees. These documented objectives will be periodically evaluated as part of the management review process.

Section 172 statement

Section 172 of the Companies Act 2006 requires every Director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, amongst other matters, to the:

a) Likely consequences of any decisions in the long term.

b) Interests of the company's employees.

c) Need to foster the company's business relationships with suppliers, customers and others.

d) Impact of the company's operations on the community and environment.

e) Desirability of the company maintaining a reputation for high standards of business conduct

f) Need to act fairly as between members of the company.

In discharging our section 172 duty we have regard to the factors set out in the section 'Our Stakeholders'. We also have regard to other factors which we consider relevant to the decision being made. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering our vision and values, together with our strategic priorities and having a process in place for decision-making, we do however, aim to make sure that our decisions are consistent and well considered.

During the year, the Directors have acted to promote the success of the Group for the benefit of shareholders, whilst having regard to the following matters:

Matter	**Where to find out more (page)**
• Likely long-term consequences	6 to 7, 9 to 11, 12 to 13, 22 to 24 and 25 to 29
• Interests of the Group's employees	6, 9 to 11, 12 to 13, 22 to 24 and 25 to 29
• Business relationships with suppliers and customers	6 to 7, 9 to 11, 12 to 13, 22 to 24 and 25 to 29
• Impact on the community and environment	6 to 7, 9 to 11, 12 to 13, 22 to 24 and 25 to 29
• Reputation for high standards of business conduct	6 to 7, 9 to 11, 12 to 13, 22 to 24 and 25 to 29
• Acting fairly between shareholders	6 to 7, 9 to 11, 12 to 13, 22 to 24 and 25 to 29

Our vision and strategy

Our vision

To develop and grow our brand as the leading provider of pressure containment and flow control systems and services to customers who operate in highly demanding, safety-critical environments where the consequences of product failure could be catastrophic.
The Company is well placed to take advantage of market conditions, its specialist capabilities and reputation to realise the benefits of the investment made in recent years in people, customer relationships, new equipment and supporting processes.

Our strategy

Group strategy was reviewed and updated in June 2019 and was focused on the organic growth and development of the two core manufacturing divisions, CSC and PMC. The Covid-19 pandemic significantly impacted the business environment for both divisions, including working conditions, operational performance, end markets and the global economy. To meet the challenges posed by the pandemic and business environment, we adapted and remained ready to further adjust our focus and resources to protect the business, progress our strategy and take advantage of future opportunities.

Delayed recovery of oil and gas markets and the global economic uncertainties caused by the war in Ukraine have slowed the expected improvement in operational performance and contributed to further delay in Phase 1 - Refocus, which we now expect to extend to the middle of 2023, in line with the improvement in oil and gas market conditions and the impact of this on our PMC division. We expect Phase 2 - Deliver Organic Growth, to continue steadily in PMC and accelerate through opportunities for CSC in the hydrogen energy market and for Integrity Management services, driving the need for investment and a strengthened balance sheet that was supported by successful fundraisings in December 2020 and December 2022.

On 15 November 2022, the Group announced that an improved trading environment and outlook for PMC created the potential opportunity to divest the non-core PMC division in order to raise funds to progress its strategic priorities, particularly within CSC and the hydrogen energy sector. The project is underway and is progressing as planned with support from advisors, KPMG.

The Strategic Roadmap updated to reflect these changes, now focused on the growth and development of CSC.

Phase 1 - Refocus (originally to mid-2020, now extended to mid-2023)

- Recover profitability and cash generation (improving oil and gas market conditions driving contributions from PMC division, strong defence order book at CSC)
- Consider potential divestment of non-core PMC division (generate funds to further strengthen balance sheet and support investment in CSC)
- Align Group functions with smaller scale after potential PMC divestment (consolidation of support functions, cost savings)
- Complete foundations for growth in CSC (strengthen operational leadership, build plans for efficiency improvements and operational resilience and capacity to support growth)

Phase 2 - Deliver organic growth (ongoing)

- Growth from core CSC operations (margin improvement on major defence contracts, factory reconditioning services and small cylinder manufacturing through operational efficiencies and strengthened commercial, project and supply chain management)
- Growth in revenue and margin from expanding hydrogen energy market (supplier and customer collaboration to ensure competitive product development for storage and transportation solutions and strengthened business development function, grow hydrogen road trailer capacity)
- Growth in in-situ Integrity Management and factory reconditioning and recertification services (both in traditional defence markets and by entering new segments such as offshore services, bulk gas transportation and hydrogen storage)

Phase 3 - Accelerate growth & build scale (from 2023 onwards)

- Growth from new sectors and regions
- Seek collaboration opportunities with business partners needing our high-pressure technology expertise (such as for Hydrogen Refuelling Stations, alternative non-steel pressure vessel types etc.)

Strategic progress

Phase	Strategic objective	Progress and priorities
1 - Refocus	Recover profitability and cash generation, strengthen balance sheet and increase flexibility and facility headroom.	• Improving oil and gas market conditions are driving recovery in revenue. Roota Engineering and Martract have been trading profitably since March 2021, slower recovery in Al-Met resulted in divisional loss for FY22, but a return to profitability at the end of Q2 FY23 • CSC recovering from Q2 FY23 due to record £18.2 million contract placement by a major UK naval customer, underpinning the orderbook for FY23 and FY24 • Fundraising in December 2022 raised cash proceeds, net of expenses, of approximately £2.1 million • The Group is currently working with Ernst & Young LLP to evaluate funding options to replace the Lloyds Bank revolving credit facility with new arrangements that provide increased facility headroom and flexibility. New facilities are expected to be in place in Q3 FY23
	Divest non-core PMC division	• A project to evaluate the potential opportunity for divesting the PMC division is progressing as planned with support from advisors, KPMG LLP. All options under consideration will seek to deliver optimum shareholder value. • Strategy Roadmap updated and strategic focus now on CSC in the defence and hydrogen energy markets for new build, in-situ Integrity Management and factory reconditioning services
	Align Group functions with smaller scale following the possible divestment of PMC	• Cost savings through the consolidation of divisional and Group finance and HR functions from October 2022 reflect a smaller scale of operations in the event of PMC divestment and CSC focus
	Complete foundations for growth in CSC	• Chief Operating Officer, Chris Webster, joined the Group in April 2022, strengthening operational leadership in CSC and PMC, planning for improvements in efficiency and operational resilience, capacity growth and a professional approach to the management of customer projects and the supply chain
2 - Deliver organic growth	Growth from core CSC operations	• Margin improvement on major defence contracts, factory reconditioning services and small cylinder manufacturing through operational efficiencies and strengthened commercial, project and supply chain management • Strengthened sales and engineering teams to underpin CSC market positioning, responsive and competitive proposals and effective customer relationship management
	Growth in revenue and margin from expanding hydrogen energy market	• Supplier and customer collaboration to ensure competitive product development for storage and transportation solutions • Strengthened business development function and industry profile • Operational efficiency improvements to ensure profitability from short lead time, higher volume orders anticipated from target customers over the next five years • Develop capability and capacity to deliver growth from new build, reconditioning and testing of hydrogen road trailers

	Growth in in-situ Integrity Management and factory reconditioning and recertification services	• Maintain and grow a multiskilled team for in-situ inspection and testing deployments • Grow margins from core naval deployments through stronger commercial management and operational efficiencies. • Establish supply agreements to mitigate significant fluctuations in revenue and capacity requirements due to naval vessel schedule changes • Grow revenue from deployments to offshore service vessels through track record and sales focus. • Diversify further into industrial and power generation • Establish position as leading supplier of in-situ inspection and testing services for hydrogen storage
3 - Accelerate growth and build scale	Growth from new sectors and regions	• We will continue to appraise growth and development where we see opportunity to advance our scale, technical capability and reach into new sectors and regions and via partnerships with businesses which require high-pressure technology expertise
	Opportunities from business partnerships	

Markets

What is happening in the markets	What this means for us
Oil & gas	
Overview The oil and gas market is emerging from a prolonged period of underinvestment and global inventories are at a decade low, while crude oil prices remain elevated. The market outlook has become increasingly positive, with the market expected to enter a sustained cyclical upturn. The resurgence is driving increased exploration and production (E&P) spending and capital investment. **Resurgence in oil and gas industry** Organization of the Petroleum Exporting Countries (OPEC) forecast world oil demand in 2023 to rise by 2.25 million barrels per day (bpd), or about 2.3%. Skandinaviska Enskilda Banken AB (SEB) has also predicted double digit growth in exploration and production in 2023 and 2024. However, forecast spending still remains at 40% less than the 2014 peak. As a result of the resurgence of oil and gas, major OEMs such as Schlumberger are forecasting significant growth activity in short and long term cycle projects both onshore and offshore. Many major OEMs have recently reported strong Q4 2022 results with Schlumberger citing increased activity in Well Construction and Production Systems in offshore and international markets as key revenue drivers. **Increased capital investment** Capital investment in the oil and gas market is forecast to accelerate across all geographies to drive new production and capacity increases. Major OEMs, such as Baker Hughes, are forecasting increased upstream capex spend from 2023 onwards.	This market is primarily served by businesses in our Precision Machined Components division (PMC) but also by our Cylinders division (CSC). The PMC businesses in the Group are leaders in their markets, supplying high integrity components for subsea and topside applications to global oil services companies. Major OEM customers are reporting a positive outlook for opex and capex demand in 2023 and 2024. This has been evidenced through record order intake and order book levels in PMC at the end of the first half of FY23. CSC has also seen the early signs of recovery in the oil and gas market, with demand for motion compensation systems, spares and inspection services increasing during the second half of 2022. Demand for Integrity Management services covering diving support and offshore services vessels is also showing signs of recovery with increased enquiry levels in late 2022 and the first half of 2023.
Defence	
Current defence spending continues to be driven by the need to replace obsolete fleets, both in terms of surface and submarine fleets, alongside commitments within NATO to increase budgets. In November 2022, the UK government confirmed it will maintain the national defence budget of at least 2% of GDP to be consistent with NATO partners. Notwithstanding the coronavirus pandemic and contraction in economic output over the last couple of years, global defence-spending has remained resilient with a significant number of naval build programs starting and many more in the design & planning stages.	CSC is the leading supplier of high-pressure gas storage systems to NATO member and NATO friendly state navies and has long-term contracts to supply bespoke products and services for conventional and nuclear submarine and surface ship programmes in the UK and overseas. CSC are also currently in negotiations for future global naval contracts which could see manufacturing of these products beyond 2040. Although the phasing of defence project milestones and contract revenues can fluctuate significantly between and within financial years, there is good medium and long-term visibility of vessel construction programmes

	and planned defence expenditure from navies and their prime contractors. CSC is the principal provider of inspection and testing services to the UK MoD for through-life cylinder performance and safety management on various classes of nuclear submarine. PMC secured its first orders for defence related components in FY21. This collaboration with CSC progressed throughout FY22 and is continuing in FY23.
Industrial	
The market for bulk gas storage and transportation in industrial processes has a diverse customer base, including industrial gas majors, higher education and scientific research bodies, nuclear and conventional power plants and other specialised installations, including space programmes.	Specialised new build opportunities for high-volume industrial gas storage are ad hoc, while in-situ and factory inspection, testing and reconditioning services have been identified as a target growth area for CSC, confirmed by initial trial projects undertaken successfully for industrial customers in 2022.
Hydrogen energy	
Momentum is increasing in this sector, driven by several factors including the UK government's target to achieve 10GW of hydrogen production by 2030, the European commission doubling its state aid for IPCEI (Important Projects of Common European Interest) projects as well as the European Union co funding transport infrastructure projects that will form part of the TEN-T core network thus increasing the number of hydrogen refuelling stations in Europe. Additionally, there is an expanding market for hydrogen transportation, which mostly relies on compressed bulk gas trailer vehicles to move hydrogen from the point of production to the end user. The hydrogen sector is developing across the continent, with the UK and Western Europe expected to account for 75% of the total low-emission hydrogen production in the region. However, market growth in refuelling stations and green hydrogen storage stalled temporarily in 2022 and the first quarter of 2023 due to supply chain constraints and the uncertainty caused by cost inflation challenges and lack of government support within the UK. Further disruption and delays to market development are expected during the remainder of 2023 resulting from supply chain challenges and performance issues with electrolysers and extended lead times for gas compression systems.	The recent news of ITM Power reducing its workforce and restructuring of its business has led the company to review strategic options with its joint venture with Vitol in Motive Fuels. Following this announcement Motive Fuels is in a consultation phase until further notice. Shell also announced the closure of three car hydrogen refuelling stations in the UK and the cancellation of two additional stations in order to focus on enabling net zero targets for HGVs. This has resulted in a less clear picture of our current and pipeline enquiries from key accounts and new customers. Moreover, we are making significant progress with framework purchase agreements with some of our key customers to support collaboration on the development of efficient and cost-effective storage solutions for their projects, enabling more effective forecasting and production planning. Demand for steel tube trailer new construction, refurbishment and recertification increased steadily during 2022 and the first quarter of 2023 and notwithstanding the expected slowdown in refuelling station demand, this area is expected to grow further during the remainder of 2023 and into 2024 due to increasing demand for bulk hydrogen transportation.

Business and financial review

Overview

Difficult trading conditions throughout the year reflected the challenging global economic climate, supply chain disruptions and cost inflationary pressures on the Group's operations, customers and suppliers, and resulted in an unsatisfactory financial performance. However, good progress has continued against strategic priorities in defence, oil and gas and hydrogen energy markets while operational improvements and strengthened management team underpin confidence in the outlook for the Group.

Overall Group revenue for the year was £24.9 million (2021: £25.3 million) and the adjusted operating loss for the year was £2.6 million (2021: adjusted loss of £1.5 million). The Group made a loss before taxation of £4.0 million (2021: loss of £5.0 million).

£ million	**2022**	**Restated 2021**	**2020**	**2019**	**2018**
Group revenue	**24.9**	**25.3**	**25.4**	**28.3**	**21.1**
Oil & gas	7.9	6.1	14.9	16.3	12.4
Defence	13.5	11.1	5.1	9.1	6.4
Industrial	1.1	5.9	5.2	2.2	2.3
Hydrogen energy	2.4	2.2	0.2	0.7	-
Group operating (loss)/profit before amortisation, impairments and exceptional administration charges	**(2.6)**	**(1.5)**	**(2.4)**	**2.2**	**1.0**
Group loss before taxation	**(4.0)**	**(5.0)**	**(20.0)**	**(0.5)**	**(1.7)**

Chesterfield Special Cylinders

£ million	2022	Restated 2021	2020	2019	2018
Revenue	**17.6**	**18.9**	**11.2**	**13.9**	**9.9**
Oil and gas	1.0	0.3	1.0	2.2	1.4
Defence	13.5	11.1	5.1	9.1	6.4
Industrial	0.7	5.3	4.9	1.9	2.1
Hydrogen energy	2.4	2.2	0.2	0.7	-
Gross margin	**29%**	**30%**	**26%**	**36%**	**35%**
Operating profit/(loss) before amortisation, impairments and exceptional administration charges	**0.4**	**2.0**	**(0.1)**	**2.1**	**1.1**
Profit/(loss) before taxation	**(0.1)**	**0.8**	**(1.0)**	**2.1**	**1.0**

Chesterfield Special Cylinders (CSC) delivered revenue of £17.6 million (FY21: £18.9 million) and an adjusted operating profit of £0.4 million (FY21: £2.0 million). A restatement of the Consolidated statement of comprehensive income for the year ended 2 October 2021 has been undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 2).

Revenue in the first three quarters of the year reflected the expected timing of major defence contract placement and phasing of contract milestones. However, the fourth quarter was significantly below expectations due to a combination of unexpected customer delays, supply chain disruption and the unplanned outage of key equipment, delaying significant revenue into the first half of FY23. Similarly, several Integrity Management deployments planned for the second half were delayed by customers into FY23 and FY24. Input costs from raw materials and energy-intensive processes increased significantly throughout the year, further impacting margins where the costs could not be recovered through price escalations and permitted contract variations within the period.

The operating profitability for CSC in FY22 was £1.2 million below the value that was notified in the trading update on 15 November 2022 as a result of the correction of an historic incorrect application of IFRS 15, the accounting standard that deals with the accounting treatment of long-term customer contracts. This is detailed in Note 2 to the financial statements.

On 6 February 2023, the Group announced the major contract placement by a major UK naval customer for pressure vessel manufacturing for a new construction project. Worth £18.2 million, this contract is the largest ever awarded to CSC. Progress has commenced against early contract milestones and pressure vessels will be delivered to the customer over the next three years.

Major contracts with naval customers, both in the UK and in France, underpinned a strong order book of £22.2 million at the end of January 2023 and will contribute to significant revenue and margin recovery in FY23. The opportunities pipeline provides good visibility of future UK and overseas navy new construction and refit programmes.

Demand for Integrity Management field services increased steadily through the first half of the year and was anticipated to grow further throughout the second half. However, the postponement of several naval vessel deployments from the second half into FY23 and FY24 resulted in full-year revenue of £1.8 million (2021: £1.5 million).

Growth opportunities for Integrity Management services remain strong in key markets of defence, offshore services, nuclear and industrial ground storage. Enquiry levels from offshore services customers increased sharply at the end of the first quarter of FY23, driven by growing activity in the market to support offshore oil and gas projects.

Revenue from hydrogen projects in the year was £2.4 million (2021: £2.2 million), reflecting a pause in order placement by customers during the year due to supply chain issues that affected lead times for manufactured components and the uncertainty due to cost inflation.

Whilst increasing lead times for electrolysers and hydrogen compression systems are affecting refuelling and decarbonisation project schedules, the opportunities pipeline continues to develop for hydrogen ground storage and road trailers in the UK and Europe. The growing road trailer opportunity reflects the increasing demand for the flexible and cost-effective transportation of hydrogen, in which CSC is well placed to deliver solutions for established operators and new entrants.

Throughout the year, CSC continued to raise the profile of its hydrogen capabilities, products and services during events and exhibitions held in France, Spain, Germany and the UK. Based on market evaluation and evolving customer requirements, we are developing solutions for higher storage pressures and efficient road trailer designs, while in-situ testing and factory reconditioning of hydrogen storage and transportation systems present additional exciting growth opportunities for CSC. Operational improvements in the Sheffield facility have delivered increased capacity and efficiency for hydrogen road trailer assembly, reconditioning, inspection and testing services and we remain focused on delivering improved revenue and contract margins from these growth areas.

Precision Machined Components

£ million	2022	2021	2020	2019	2018
Revenue	**7.3**	**6.4**	**14.2**	**14.4**	**11.2**
Oil and gas	6.9	5.7	13.9	14.0	11.0
Industrial	0.4	0.7	0.3	0.4	0.2
Gross margin	**18%**	**11%**	**17%**	**29%**	**33%**
Operating (loss)/profit before amortisation, impairments and other exceptional charges	**(1.1)**	**(1.6)**	**(0.7)**	**1.9**	**1.5**
Loss before taxation	**(1.3)**	**(2.3)**	**(4.3)**	**(0.3)**	**(0.3)**

Precision Machined Components (PMC) delivered revenue of £7.3 million (2021: £6.4 million) and an adjusted operating loss of £1.1 million (2021: £1.6 million loss).

As expected, and reflecting an increased oil price, the PMC order book built during the year and by the end of September 2022 had reached its highest level since May 2020. However, an unexpected temporary slowdown in order placement over the summer period, together with supply chain delays and cost increases, resulted in lower revenue and a significantly greater adjusted operating loss than anticipated for the full year.

Order intake recovered later in the fourth quarter of FY22 and further strengthened during the first half of FY23. Divisional order intake of £4.3 million in March 2023, the division's highest ever monthly order intake, and £1.1 million in April 2023, underpinned a closing order book of £7.6 million at the end of April 2023, the highest ever order book level for the division (April 2022: £2.2 million). As expected, the division returned to profitable trading in the second quarter of FY23.

At Roota Engineering, the demand for subsea well intervention tools, valve assemblies and control module components is expected to grow further as major OEM customers including Aker, Expro, Halliburton and Schlumberger, plus several new specialist customers, continue to report a stronger oil and gas market outlook for 2023 and are investing heavily in their global manufacturing capacity to support growth in oil and gas production, principally from South America, West Africa, US Gulf of Mexico, Middle East and North Sea regions. The recovery of revenue and profitability has been supported by successful recruitment, skills development and specialist engineering software, increasing the capacity to meet the growing demand and extended product range for a broader customer base.

At Al-Met, a slower than expected recovery in demand for production drilling and flow control components and a higher cost base driven by the necessary protection of core capabilities and retention of the skilled workforce resulted in a loss for the year. However, OEM customers, Schlumberger and Baker Hughes are forecasting a strong and sustained recovery in demand for subsea trees and flow control components throughout 2023 and beyond. Order intake levels for these components increased steadily through the first half of FY23, with Baker Hughes placing their first significant orders for precision choke components since June 2020, as major subsea and surface production engineering contracts restart.

Al-Met has remained focused on the improvement of operational performance, efficiency, and competitiveness in readiness for the recovering order book and is well positioned amongst very few European competitors. On 27 March 2023, the Group announced that Al-Met had been awarded a record £3.0 million order from an established international OEM customer for the supply of flow control components and subassemblies used in high-pressure extreme service oil and gas applications.

This unprecedented order for Al-Met and the continuing momentum in PMC order intake underpin the FY23 full-year outlook for the division and also provide substantial order book coverage and visibility for the first half of FY24.

On 15 November 2022, the Group announced that an improved trading environment and outlook created the potential opportunity to divest PMC activities in order to raise funds to progress strategic priorities, particularly within Chesterfield Special Cylinders. The project is underway and is progressing as planned with support from advisors, KPMG LLP. All options under consideration will seek to deliver optimum shareholder value.

Financial review

Prior year restatement

The comparative period financial statements for 2021 have been restated to correct an incorrect application of IFRS 15, 'Revenue from Contracts with Customers'. The restatement impacts the timing, but not the overall quantum, of profits from multi-year contracts and has no cashflow impacts (either quantum or timing). An explanation of the restatement and tables showing the impact on the comparative period financial statements is included in Note 2 to the financial statements.

Financing and cash flow

Operating cash outflow before movements in working capital was £2.2 million (2021: £1.0 million outflow, restated). After a net working capital inflow of £3.0 million (2021: £5.1 million outflow, restated), cash generated from operations was £0.8 million (2021: £6.1 million used by operations). Key movements within working capital include an inflow of £0.9 million of deferred PAYE and VAT due to HMRC, in order to preserve cash flow in the final quarter of the year.

Cash outflows in the year in respect of exceptional administration costs (see Note 6) were £0.8 million (2021: £0.6 million).

Cash inflow from investing activities includes proceeds of £1.6 million from the sale and leaseback of the Roota site in July 2022.

Central costs

Unallocated central costs (before exceptional administration costs) were £2.0 million (2021: £1.9 million). In respect of the Group's various share option plans there was a net cost in the year of £0.1 million (2021: £0.1 million).

Asset impairments and amortisation

The Group tests annually for impairment, or more frequently if there are indicators that intangible and tangible fixed assets might be impaired. The difficult general economic environment and the recent uncertainties in the oil and gas market, PMC's key end market, are considered to be an indicator that the carrying value of our intangible and tangible assets in PMC and CSC, the Group's cash generating units (CGU), may be impaired.

The Group has considered a range of economic conditions for the divisions over the next three years. These economic conditions, together with reasonable and supportable trading assumptions, have been used to estimate the future cash inflows and outflows for both divisional CGUs over the next three years. The assumptions underlying these forecasts are detailed in Note 14 to these financial statements.

The review concluded that no impairment was required in these financial statements. Amortisation costs were £0.1 million (2021: £0.2 million).

The Group holds freehold land and buildings, including CSC's main facility at Meadowhall Road, Sheffield. As part of discussions with the Group's bankers during the year, the Directors obtained two valuations from two independent chartered surveyors of this this freehold land and buildings, which indicated that no impairment of this asset was required.

Exceptional administration costs

Exceptional administration costs of £1.0 million principally included costs associated with the refinancing of the Group's banking facilities of £0.3 million, the final costs of £0.2 million related to ongoing software licencing for the cancelled ERP system impaired in the prior financial year, and other legal and associated costs relating to the surrender of property leases with non-utilised sites under tenancy arrangements of £0.3 million. There were other costs of £0.2 million for several other matters that included a historical settlement dispute and an obsolete stock write off, both in the CSC division.

Taxation

The tax charge for the year was £0.1 million (2021: tax credit £0.8 million). The current year tax charge was impacted by a £0.6 million under provision in respect of the prior year (2021: over provision £0.1 million).
Corporation tax refunded in the year totalled £0.1 million (2021: £nil). Taxes relating to overseas territories are minimal.

Foreign exchange

The Group now has no material exposure to movements in foreign exchange rates related to both transactional trading and translation of overseas assets and liabilities.

In the year under review, the principal exposure which arose from trading activities was to movements in the value of the Euro and the US Dollar relative to Sterling. As the Group companies both buy and sell in overseas currencies, particularly the Euro and the US Dollar, there is a degree of natural hedging already in place. Where appropriate, and where the timing of future cash flows are able to be reliably estimated, forward contracts can be taken out to cover exposure.

Loss per share and dividends

Basic loss per share was 13.0 pence (2021: 14.8 pence). Adjusted loss per share was 10.2 pence (2021: 4.9 pence).

No dividends were paid in the year (2021: nil) and no dividends have been declared in respect of the year ended 1 October 2022 (2021: nil). Distributable reserves in the parent company totalled £6.3 million at year end (2021: £8.6 million).

Statement of financial position

Intangible assets (at net book value) decreased by £0.1 million to £nil (2021: £0.1 million). Amortisation in the year was £0.1 million (2021: £0.2 million).

Net current assets (being current assets less current liabilities) decreased to £3.0 million (2021: £5.2 million, restated). Non-current liabilities of £2.8 million (2021: £3.6 million) have decreased by £0.8 million, as a result of the reduction in lease liabilities, deferred taxation liabilities and other payables.

Net assets decreased by 24% to £12.1 million (2021: £16.0 million, restated) and net asset value per share decreased to 39 pence (2021: 56 pence).

Bank facility, borrowings and liquidity

Net debt at 1 October 2022 was £3.5 million (2021: £5.0 million). The decrease was driven primarily by cash proceeds of £1.6 million from the sale and leaseback of the Roota Engineering site in July 2022. This enabled the repayment of £2.4 million of the Group's drawings under the revolving credit facility (RCF) reducing drawn debt to £2.4 million at the year end (2021: £4.8 million).

In October 2022, the Group's RCF was amended and its facility term was extended from September 2023 to March 2024, with the facility reducing from £2.4 million to £1.9 million in March 2023 and then £0.9 million in September 2023. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, recommenced on the first testing date of 30 September 2022 through to the end of the facility. The September 2022 test period was waived. The December 2022 test period was deferred until January 2023 and subsequently waived. The financial covenant tests for March and June 2023 were amended to reflect the impact of the IFRS 15 contract accounting restatement noted above.

Ernst & Young LLP continues to support the Group with the review of funding options to replace the Lloyds Bank facility with new arrangements that provide increased liquidity, greater flexibility and the required working capital to support the Group's strategic plans. We expect to complete the refinancing project in the second calendar quarter of 2023.

On 15 November 2022, the Group announced the results of a Placing and Retail Offer. The £2.1 million net proceeds are supporting short term working capital requirements, whilst longer term financing options are progressed.

Going concern

The Group currently has a very strong order book reflecting both the recent award of a major £18.2 million, multi-year contract for a major UK naval new construction programme, and the recent significantly improved trading in the Precision Machined Components division resulting in an order book of £7.6 million at the end of April 2023, the highest ever order book level for the division. Forecasts have been prepared covering the sixteen month going concern period and these demonstrate that the Group can operate within its existing financial facilities and has sufficient headroom in its financial covenants. While the level of cash reserves is relatively low for the period to the end of July 2023, the level is forecast to improve substantially for the remainder of the forecast period. However, the possibility of delays to the performance on the large naval contract in CSC, particularly if combined with other trading downsides, and the relative lack of headroom and flexibility in the Group's fully drawn facility with Lloyds Bank for which a replacement financing is not yet in place, gives rise to material uncertainties, as defined in the accounting standard, relating to events and circumstances which may cast significant doubt over the Group's ability to continue as a going concern.

However, taking into account the very low likelihood of material delays in the large naval contract, the ability of the Group to mitigate, partially or fully, the impact of any such delays, the Board's expectation that it will obtain alternative financing to replace the Lloyds Bank facility in the second calendar quarter of 2023, and the ongoing work to explore longer term opportunities to strengthen the Group's balance sheet and cash position, the Directors consider that the Group has sufficient financial headroom to be able to continue its operations for the foreseeable future. Therefore, these financial statements have been prepared on a going concern basis.

Outlook

Despite the disappointing results in FY22, the Board is confident in underlying market opportunities and trading conditions and expects a return to profitability and cash generation in FY23.

The strong defence order book for UK and overseas naval contracts underpins confidence in FY23 and FY24 performance for CSC. Despite delays in the hydrogen energy supply chain, opportunities for the supply of new hydrogen storage and road trailers continue to develop in the UK and Europe, while in-situ testing and factory reconditioning of hydrogen storage and transportation systems present exciting growth opportunities for Integrity Management services beyond existing defence, offshore and industrial markets.

Following a return to profitability for PMC at the end of the second half of FY23, increasing demand from OEM customers and the continuing momentum in order intake underpin the FY23 full-year outlook and provide substantial order book coverage and visibility for the first half of FY24. As previously announced, this improved trading environment and outlook has created a potential opportunity to divest PMC activities in order to fund strategic priorities, particularly within Chesterfield Special Cylinders. All options under consideration for PMC will seek to deliver optimum shareholder value.

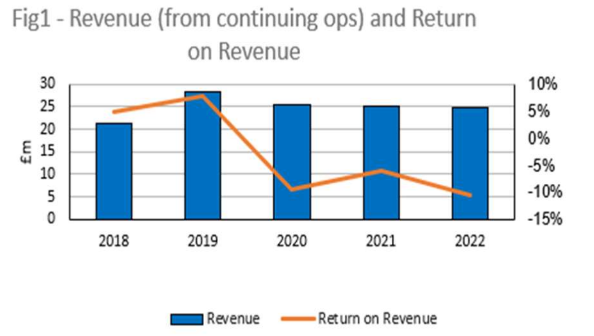
The Board is confident in meeting FY23 market expectations and excited about the opportunities and prospects for the business in the medium and longer term.

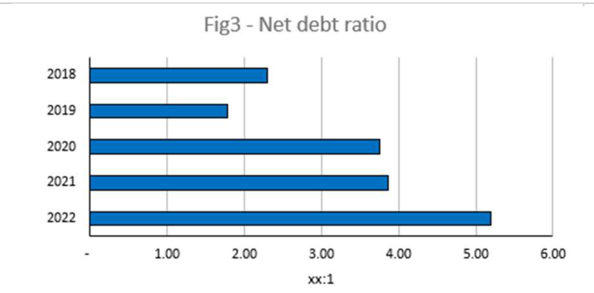
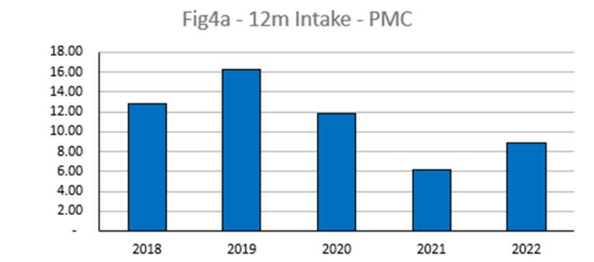
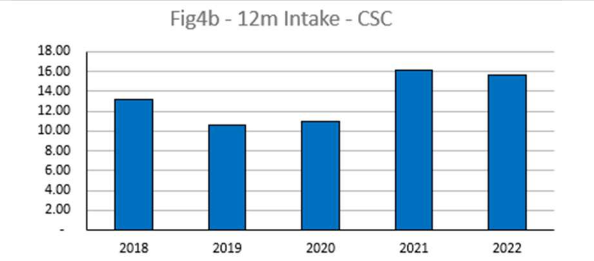
Chris Walters
Chief Executive
22 May 2023

Measured performance

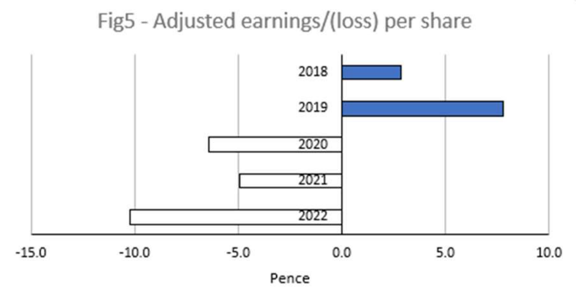
The Board uses Key Performance Indicators (“KPIs”) when assessing the performance of the Group. These KPIs are divided into three sections:

<table>
<tr><th colspan="3">Financial performance</th></tr>
<tr><td>Growth and return</td><td>Growth is measured in terms of sales revenue.

The efficiency of converting sales into profits is measured in terms of return on revenue. This is calculated as adjusted operating profit divided by revenue. The Group has a target of at least 15% return on revenue, although this has been very negatively impacted by the Covid-19 pandemic, the war in Ukraine and global economic uncertainties in the last three years.</td><td>
</td></tr>
<tr><td>Net debt ratio (for covenant purposes)</td><td>The measured net debt ratio is specific to the covenants contained in the Group’s RCF facility. It is calculated as net debt attributable to the lender, being total net debt less right of use asset leases, divided by adjusted EBITDA.

The targeted ratio is less than 3:1 – although this has been very negatively impacted by the reduced profitability in the last three years.</td><td>
</td></tr>
<tr><td>Order intake- PMC</td><td>Twelve-month order intake is measured as an indication of future workload, trends in capacity requirements and progress with strategic plans for customer, product, market and regional targets in each division. This measure has been very negatively impacted by the depressed oil and gas market, the key end market for PMC, in the last three years</td><td>
</td></tr>
<tr><td>Order intake- CSC</td><td>Twelve-month order intake is measured as an indication of future workload, trends in capacity requirements and progress with strategic plans for customer, product, market and regional targets in each division.</td><td>
</td></tr>
</table>

Measured performance (continued)

Shareholders		
Adjusted EPS	Adjusted earnings/(loss) per share is used as a measure of shareholder return. Details of the calculation of adjusted EPS can be found in Note 11 of the Notes to the consolidated financial statements.	

Corporate Social responsibility	
Health and safety	Safety performance and trends are measured through reported data on accidents, near misses and safety observations. Performance is reviewed periodically by management and the Board.
Environment	The environment measure currently used is the number of reportable environmental incidents and as with health and safety, the target across the Group is zero. The Group has not had any incidents over the last five years. The Group employs a Director of Group Health, Safety, Quality and Environment, who reports directly to the Chief Executive. He is responsible for ensuring that the Group employs best practice that is consistent around the Group and leads the team of health and safety managers employed at each business in the Group.

Corporate governance

The Board endorses the highest standards of corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code (the “QCA Code”). The Board will comply with, or explain any departure from, the ten principles of the QCA Code and their application.

The responsibility for ensuring compliance and accurate reporting of Corporate Governance resides with the Audit and Risk Committee (“the Committee”). Corporate Governance will be continually monitored and reviewed formally by the Committee annually, following publication of the report and accounts each year.

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

Principle and Board response
1. Establish a strategy and business model which promote long-term value for shareholders Pressure Technologies has an established strategy for growth, which it reports on annually to its shareholders in the Group’s Annual Report, indicating how it has delivered on the strategy and how it has managed strategic risks. The Board reviews the strategy at least once a year to ensure that it remains relevant and sustainable. The Group’s strategy and business model are clearly set out on page 9 of these financial statements and key challenges to the business are detailed in the Annual Report.
2. Seek to understand and meet shareholder needs and expectations The Company actively encourages good communication with all shareholders from the largest to the smallest. Presentations to institutional and mid-sized investors (typically by the Chief Executive and Chief Financial Officer) are offered at the full-year and half-year and all investor presentations are posted to the Group’s website. Feedback is obtained following all investor meetings and this feedback is reviewed by the Board. The Company has always aimed to accommodate investors who wish to visit its manufacturing sites. On his appointment on 1 April 2022, the new Chair consulted with major shareholders, seeking their feedback on key strategic matters. The Annual General Meeting presents an opportunity for the Board to meet with private investors.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success The Board fully recognises that long-term growth and profitability are enhanced when businesses behave in a sustainable and responsible manner, having regard to environmental, social and governance matters and all its stakeholders. The Group’s stakeholders include employees, customers, regulators, investors, suppliers, advisors and the communities in which the Group’s businesses operate. The Group’s approach to sustainable and responsible business is set out on the website.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation The Group’s Audit and Risk Committee meets regularly throughout the year to review business risk and oversees the Group’s approach to risk management. Emerging risks and the management of key risks are reported to the Board. Acknowledging the increasing threat to cyber security, the Group recruited skills and resources to ensure effective risk management and protection in this critically important area. In December 2022, the Board reviewed the Group’s cyber security measures and discussed an independent Cyber Maturity Assessment and associated action plan. The risk reporting model, set out on pages 25 to 29 of these financial statements, includes the key risks to the Group’s strategy.
5. Maintain the Board as a well-functioning, balanced team led by the Chair The Board currently comprises an Independent Non-Executive Chair, Nick Salmon, who joined the business in April 2022, a Senior Independent Non-Executive Director, Tim Cooper, who joined the business in January 2020, an Independent Non-Executive Director, Mike Butterworth who joined the business in June 2020 and a Chief Executive, Chris Walters, who joined the Group in September 2018.

Brian Newman, who was appointed to the Board as an Independent Non-Executive Director in September 2015 and became a Senior Independent Non-Executive Director in June 2019, stepped down from the Board in March 2022. Sir Roy Gardner, who was appointed to the Board as an Independent Non-Executive Chairman in January 2020, also stepped down from the Board in March 2022 and was succeeded by Nick Salmon, Independent Non-Executive Chair. James Locking joined the business in January 2019 and was appointed to the Board in May 2021 as Chief Financial Officer. As announced in November 2022, James stepped down from the Board and left the Company in early March 2023.

Steve Hammell has been appointed as the new Chief Financial Officer and will join the Group and the Board in May 2023. Richard Staveley, a representative of Harwood Capital LLP, will also join the board in May 2023.

Biographies of all Board members are published on the Group's website.

The Board structure ensures that no individual or group dominates the decision-making process. The Non-Executive Directors are considered to be independent of management and from any business relationship which could materially interfere with their independent judgement. The Chair and Senior Independent Non-executive Director are available to shareholders if they have concerns regarding the functioning of the Board.

The Nominations Committee is responsible for monitoring and reviewing the membership and composition of the Board, including the decision to recommend the appointment, or to re-appoint a director.

The Company's Articles of Association require that at each Annual General Meeting, any director then in office who has held office for three years or more will retire, but may, if eligible, offer themselves for re-election. However, in line with best practice, all directors will retire and stand for re-election at each Annual General Meeting.

The Board meets regularly with no fewer than seven meetings held in each financial year. The Chair ensures that all directors are properly briefed on issues arising at Board meetings. The Group uses collaboration software for its Board reports which facilitates the secure and timely distribution of information to the Board.

The Board held twelve meetings during the financial year ended 1 October 2022 and attendance was 100% for all meetings.

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

The Board is satisfied that it comprises an effective balance of knowledge, skills, experience and independence. The Board represents relevant industry experience from engineering, operational management, finance and investment. Every member of the Board is there for the benefit of Pressure Technologies plc and each recognises their responsibility to the Company's stakeholders. The Board regularly reviews its composition to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group. The approach to maintaining relevance and diversity on the Board as well as assigning internal advisory responsibilities, such as those of the Company Secretary and Senior Independent Director, are continuously reviewed by the Nominations Committee. The skills that each member brings to the Board are clearly set out on the Group's website. The Chief Executive, in conjunction with the executive team, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and various external advisors on various regulatory and corporate governance matters.

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

The Board did not carry out a Board evaluation during 2022, as a new Chair was appointed in April and it was felt that it would be beneficial to allow the new Chair time to familiarise himself with the operation of the Board and its Committees before leading an evaluation process towards the end of 2023, once the new CFO has settled in.

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

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

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

The roles of each of the Board Committees are set out in their Terms of Reference, which can be found on the website along with Matters Reserved for the Board. The roles of individual Directors are not formally described, but this will be reviewed and disclosed if relevant. The responsibility for ensuring governance structures is continually reviewed and relevant to the business and its stakeholders falls to the Audit and Risk Committee.

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

In addition to a Directors' Report, reports from the Remuneration Committee and the Audit and Risk Committee are included in these financial statements. The Chief Executive and Chief Financial Officer meet periodically with the Group's larger institutional investors and feedback is always obtained. Pressure Technologies has a reputation amongst its investors for its fair and frank disclosure on the Group's performance. All investor presentations are available on the Group's website. The voting statistics from AGMs are disclosed in a Regulatory News release on the day of the AGM. If relevant, details of any actions to be taken as a result of resolutions for which votes against had been received from at least 20% of independent shareholders, would also be disclosed. The Group's website is regularly updated and historic documents dating back to the Company's listing in 2007 are available. The Annual Report is reviewed against FTSE 350 guidelines and we endeavour to adopt best practice, where relevant and practical. From time to time the executives attend private investor events and welcome investors to the manufacturing facilities.

Risks & uncertainties

The principal risks identified by management are described below.

Risk and impact	Status and management strategy to mitigate	Change
1. Global economic conditions and market volatility		
Macroeconomic factors Whilst the beginning of the financial year saw an improvement in economic sentiment following the lifting of the UK's Covid 19 restrictions in February 2022, the economic situation deteriorated as the year progressed. The war in Ukraine, post-Covid 19 supply chain constraints, rising global interest rates and high levels of global inflation (notably, for energy) have slowed global growth in the second half of the year and reduced forecast growth for the next few years. For the PMC division order levels for most of the year were depressed compared to pre-pandemic levels. There has been some recent increase in order intake for our PMC businesses during Q4 FY22 and the first half of FY23 and customers are reporting a stronger outlook for the oil and gas market as we head into the remainder of FY23 and beyond.	• The Group maintains close contacts with its customers to ensure we have a full understanding of their likely future orders. This is particularly important for the PMC division given its economic sensitivity and the short-term nature of its order book. • The Group's cost base is under regular review to ensure that it appropriately matches customer demand whilst ensuring that the high level of technical skills and know-how is maintained in the business. • Through the potential divestment of PMC and the implementation of new financing arrangements, the Group is seeking to strengthen its financial resilience.	⇎
Market sectors The Group operates in and is therefore impacted by the macro conditions in the oil and gas, defence, industrial and hydrogen energy markets. We need to remain sufficiently flexible to allow us to anticipate downturns, to allow us to adjust our operations accordingly, and equally to meet growth in demand when our customers' markets are buoyant.	• The Group has increased its exposure to markets outside of oil and gas such as defence and hydrogen energy storage and revenues from these areas have risen in recent years • The PMC businesses serve both production and exploration in the oil and gas market, with production being less volatile during a market downturn • Continued sales focus across the Group is aiming to expand us into new market sectors, new customers and new product lines	⇎
Foreign exchange A proportion of the Group's business is carried out in currencies other than Sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the Group's financial position or results. The Group may engage in foreign currency hedging transactions to mitigate potential foreign currency exposure which is dependent on the certainty of value and timing of cash flows.	• Natural hedges are in place for the predominant currencies the Group is exposed to and all foreign currency trading is completed by Group treasury, including forward exchange contracts when appropriate • The Group typically quotes for business on a short quote expiry and where appropriate will include price escalation clauses to limit exposure to fluctuations in foreign currencies	⇎
2. Governmental policy, regulation, legislation and compliance		
Government policies Revenue generated from defence contracts is impacted by government policies which the Group may not be able to influence.	• Changes that impact our defence contracts have enough visibility for management to implement plans that could mitigate them. A change of government is the greatest risk to the UK defence programme spending	⇎

A change of government may result in amendments to tax and employment policies that could affect the business e.g. R&D tax credit regime, worker representation and rights. Recent government policy has been to support higher levels of spending on defence. However, the Covid-19 pandemic and the recent energy crisis has resulted in a very significant increase in government borrowings which may have a negative impact on the government’s ability to meet this commitment.	● Changes to R&D tax credits for development projects may reduce claims levels, increase overall tax and increase project funding requirements ● Given the considerable additional debt incurred during the pandemic and the subsequent energy crisis by HMG to fund business and employee support and energy consumers, there have been recent increases in business taxes introduced by HMG, including significant increases in Corporation Tax Rates. These higher taxes may depress investment and, hence, demand for the Group’s products	
Health and Safety The Group operates manufacturing facilities therefore has a fundamental duty to protect its people and other stakeholders from harm whilst conducting its business.	● The Group is accredited to international ISO standards for HSE and has an established HSE management system and site-based teams with Group oversight ● Managers and appointed safety officers have completed recognised HSE training ● Senior management monitors and reviews divisional HSE performance during weekly and monthly management meetings, taking actions to address trends or key findings ● HSE performance is reviewed regularly by the Board and HSE management maturity is reviewed quarterly against target levels for each site	⇹
3. Markets conditions and commercial relationships		
Contract risk Failure to adequately manage contract risk and, as a result, commit to obligations which the Group is unable to meet without incurring significant unplanned costs.	● Commercial management skills have been recruited into the CSC business ● Authority for the approval of major contract terms and conditions rests with the executive management team or is delegated according to Group policies ● Major contract performance is reviewed in senior management meetings against time, cost and quality goal	⇹
Customer and supplier concentration Customer concentration is high in both divisions of the Group and our relationships with these key customers could be materially adversely affected by several factors, including: a decision to diversify or change how, or from whom, they source components that we currently provide, an inability to agree on mutually acceptable pricing or a significant dispute with the Group. If the Group was unable to enter similar relationships with other customers on a timely basis, or at all, our business could be materially adversely affected.	● Key account management is a focus across the Group and we have a history of strong customer relationships and customer retention ● The Group has a high dependence on a relatively small number of customers and work continues to expand the customer base in both divisions ● The growth of the hydrogen energy business in the CSC division should result in lower customer concentration away from the traditional defence and industrial customer base ● Work undertaken to extend the PMC customer base has resulted in a lower concentration at Roota. Progress has been slower in Al-Met, where one major OEM customer continues to dominate the order book, while a second major OEM is steadily increasing volume.	⇹
Supplier concentration in CSC division The majority of seamless steel tube used in the manufacturing of ultra-large high-pressure cylinders has historically been sourced from two key suppliers in mainland Europe.	● Long-term supply and cooperation agreements established with both suppliers during 2021 ● Strengthened supplier management and procurement activities through recruitment of specialist supply chain management capability will support the evaluation of alternative seamless	⇹

There are few alternative suppliers globally that can match the cost, quality and lead times of these two European steel tube mills. There could be a significant disruption to the CSC business in the event that one or both companies became unable to supply tube. In November 2021, one supplier announced plans to close its German mill at the end of 2023, while committing to meet demand from its facilities and partners outside Europe.	tube supply to reduce the risks of single source dependency ● Strategic collaboration with a key European steel tube supplier to develop joint product and service opportunities in target markets, including defence, industrial bulk gas storage and hydrogen energy	
4. Funding and liquidity		
Funding The Group requires a working capital facility for trading and the growth strategy may require access to specific project funding, particularly with regard to the growth in our hydrogen energy business in the CSC division. There still remains a level of uncertainty in the UK and global economic outlook and this has increased the desirability of a more conservative and resilient capital structure. The PMC division was loss-making in both the current and prior year, albeit recovering to profitability in Q2 FY23, and this has resulted in significant pressure on financial covenants included in the Group's banking facilities. Should revenue or margins be materially reduced, or working capital requirements significantly increase, there would be an immediate reduction in the facility's covenant headroom.	● The Group's Revolving Credit Facility (RCF) at £2.4 million at the year end is fully drawn and the facility term runs to March 2024. The facility stepped down to £1.9 million in March 2023 and then to £0.9 million in September 2023. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, run through to the end of the facility from December 2022 ● Financial covenants contained within the RCF have recently been amended in respect of the tests at March and June 2023 to reflect the impact of the IFRS contract accounting restatement ● During the year discussions have been held to find an alternative refinancing partner, including asset-backed lenders as well as high street banking institutions. This project is progressing with support from Ernst & Young LLP and is expected to complete during the second calendar quarter of 2023 ● Other longer term sources of funding are also being considered, including the potential disposal of non-core operations and the refinancing of freehold properties ● Long-term finance products, including leasing, are used for core debt e.g. capital investments ● Working capital levels, cash conversion and bank covenant compliance are regularly monitored by executive management and reported to the Board	⇑
5. Availability and use of key resources		
Leadership As a publicly listed SME, the Group has certain roles that are key to governance and to the strategic and operational leadership that is required to deliver business performance and growth. There is a high level of dependency on key individuals and a requirement for depth and resilience in leadership.	● On 1 April 2022, Nick Salmon replaced Sir Roy Gardner as Chair ● In April 2022, the Group appointed a new Chief Operating Officer, Chris Webster, who has responsibility for the manufacturing operations at the Chesterfield Special Cylinders, Roota Engineering, Al-Met and Martract sites. ● On 15 November 2022, it was announced that Chief Financial Officer, James Locking, would be stepping down from the Board in early March 2023. On 17 January 2023, it was announced that Steve Hammell was to be appointed as the new Chief Financial Officer, joining the company in May 2023. ● In May 2023, Richard Staveley, a representative of Harwood Capital LLP, will also join the Board.	⇎

Retention of key staff in business-critical roles Failure to continue to evolve organisation structure and culture could prevent us from employing and retaining the right talent, knowledge and skills to deliver the strategy. The Group needs to continue to recruit high quality staff, building on existing capability while recruiting skilled expertise in the right areas of the business, at the right time. Post Covid 19, the labour market has become very tight in the UK with very low levels of unemployment, substantial unfilled vacancies and rising salary and wage costs	● The high added value products and services provided by all the businesses are reliant on the skills and knowledge of our employees and there is a programme of training around the Group to ensure the development and retention of these key skills and employees. The training programme includes apprenticeships and recognised industry qualifications ● Company policies and procedures are reviewed annually and are incorporated in an Employee Handbook given to all new starters ● Employee engagement surveys are periodically undertaken to benchmark and assess progress in employee engagement and development. The most recent survey was undertaken in June 2021 and the next survey is due to take place in June 2023 ● The Group regularly reviews its remuneration arrangements to ensure that they remain sufficiently competitive to attract the necessary talent to the business	⇎
Major capital assets Certain of the Group's businesses rely on large or critical pieces of equipment and major breakdown could affect our ability to maintain delivery performance and customer growth.	● Key assets are subject to ongoing maintenance programmes and strategic spares are held ● The risk is further mitigated in the Precision Machined Components division by the number of manufacturing sites	⇎
6. Technology & innovation		
Product development The strength of our business is built upon a history of delivering products that advance safety and reliability in demanding environments. If we fail to keep abreast of market needs or to innovate solutions, we are at risk of losing market share to our competitors and lowering margins as demand will reduce. The hydrogen energy market is a significant growth opportunity for the CSC division, but the underlying technology remains relatively immature and unproven.	● Investment in product development and services is key to the continued growth of the Group and we strive to embed a culture of research and development initiatives within the business ● Research & Development Manager in CSC works with customers and suppliers in the development of progressive solutions for static and mobile gas storage ● Collaborations with major steel tube suppliers are supporting product and service development in CSC ● Collaborations with academic and research bodies are supporting the development of new manufacturing and inspection processes	⇎
Disruptive technologies Technological advances in production processes or materials may cause a reduction in demand for the Group's products. Increased interest and use of composite (fibre-polymer) cylinders presents a threat to the demand for steel cylinders for high-pressure hydrogen storage, which is a growth market for CSC.	● The monitoring of evolving technologies that may disrupt the market is ongoing, looking to both capitalise on the opportunities they may provide as well offset any potential threats ● CSC is promoting the efficiency, sustainability and lower Total Cost of Ownership advantages of steel over composite but accepts that both technologies have a role to play in the hydrogen energy market. CSC can integrate composite cylinders into packages required by its customers	⇎
Cyber-crime At present, the Group's principal exposures to cyber-crime relate to the misappropriation of cash and data. Our revenue streams are largely protected as our products are not currently electronic in nature and we do not, as a rule,	● Cyber security policies are overseen by the Group's Head of IT ● CSC has achieved Cyber Essentials Plus accreditation, following an independent audit. PMC sites are working towards accreditation	⇑

transact over the internet. Cyber-crime is a growing risk for all businesses, recently exacerbated by heightened political tensions resulting from the war in Ukraine.	● The Group uses cloud storage with secure data access ● All employees undertook mandatory cyber security training during the year	

Approval of the strategic report

The strategic report, as set out on pages 5 to 29, has been approved by the Board.

By order of the Board

Chris Walters
Chief Executive
22 May 2023

Report of the Remuneration Committee

The Remuneration Committee comprises at least two Non-Executive Directors and is chaired by Tim Cooper. The Committee meets when necessary and is responsible for determining the remuneration packages of the Executive Directors and the Chair. The remuneration of the Non-Executive Directors is set by the Board annually. Directors are not involved in decisions relating to their own remuneration. All members attended the two meetings during the year. The Committee meets not less than two times a year in a formal capacity and forms sub-groups to address specific matters as necessary outside of these meetings. The Committee receives advice from PwC on current market remuneration levels and practises.

Policy on remuneration of Executive Directors

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

a) Basic salary and benefits

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

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

The company pays a maximum of 9% of basic salary into individual money purchase pension schemes so long as this is matched by a minimum of 7%, by salary sacrifice, by the individual.

b) Annual performance related cash bonus scheme

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

c) Long Term Incentive Plan

2021 Value Creation Scheme

As reported last year, the Committee determined that it would be appropriate to introduce a new LTIP, the Pressure Technologies plc Value Creation Scheme (the "VCS"). The VCS was designed, following consultation with major shareholders, to provide a strong motivation to executive management to maximise the performance of the Group in a manner that is closely aligned with the interests of the Company's shareholders. Participants of the plan include the Executive Directors and other senior managers, but not the Non-Executive Directors. The first awards under this new plan were made on 18 January 2022 shortly after the announcement of the Group's results for the 52 weeks to 2 October 2021.

Awards under the VCS entitle participants to receive in aggregate up to a maximum of 5.5% of the market capitalisation of the Group above a share price hurdle of £1.40. The share price hurdle was set at a level that represented an increase of 89% on the share price as at the close of business on 17 January 2022. The performance period for the awards is three financial years, commencing from the start of FY22 on 4 October 2021.

At the end of the performance period the awards will be settled in ordinary shares in the Company delivered in the form of nil cost share options. The participants will have no right to any payment of cash, rather they will become shareholders in the Company. In this way, the interests of the participants will be further aligned with those of all other shareholders. A holding period of two years from the end of the performance period will apply to the options and any shares pursuant to them, subject to the participant being permitted to sell shares to cover any tax liabilities arising on exercise of an option. The maximum number of shares over which options can be granted under the VCS is 1,708,694 shares representing 5.5% of the Company's issued share capital as at 18 January 2022.

Each participant will be awarded a number of performance units for the purposes of the VCS. The number of options granted to participants will be determined by dividing the number of performance units subject to their award by the aggregate number of performance units subject to all awards (not including those which were subject to Awards which have lapsed, unless those performance units are reallocated under new awards). The aggregate number of performance units subject to the initial awards granted under the VCS on 18 January 2022 is 60, with a further 40 performance units available for future awards.

Report of the Remuneration Committee (continued)

Policy on remuneration of Executive Directors (continued)

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

Directors' Remuneration
Particulars of Directors' remuneration are as follows:

	Salary and fees £'000	**Benefits £'000**	**Bonus £'000**	**Pension £'000**	**Total 2022 £'000**	Total 2021 £'000	**Employers' national insurance 2022 £'000**	Employers' national insurance 2021 £'000
Non-Executive:								
Nick Salmon*	**30**	**-**	**-**	**-**	**30**	-	**4**	-
Sir Roy Gardner**	**33**	**-**	**-**	**-**	**33**	65	**4**	6
Brian Newman**	**30**	**-**	**-**	**-**	**30**	40	**4**	4
Tim Cooper	**40**	**-**	**-**	**-**	**40**	40	**4**	4
Mike Butterworth	**40**	**-**	**-**	**-**	**40**	40	**4**	4
Executive:								
Chris Walters***	**215**	**2**	**-**	**-**	**217**	219	**39**	33
James Locking****	**140**	**1**	**-**	**13**	**154**	64	**18**	7
Total remuneration	**528**	**3**	**-**	**13**	**544**	468	**78**	58

** Nick Salmon was appointed as Non-Executive Chair on 1 April 2022. His annual fee is £60,000.*
*** Sir Roy Gardner and Brian Newman stepped down from the Board on 31 March 2022.*
**** Chris Walters' total remuneration in 2022 excludes £53,641 (2021: £28,221) of taxable accommodation and travel expenses and £13,298 (2021: £10,013) of taxable allowance in lieu of employer pension contributions.*
***** James Locking resigned as Chief Financial Officer with effect from 3 March 2023.*

The number of Directors who accrued benefits under money purchase pension arrangements in the period was one (2021: two).
Chris Walters' salary for the year ending 30 September 2023 will remain at its current level of £215,000 per annum.

James Locking's salary for the period from 2 October 2022 to 3 March 2023, the date of his resignation as Chief Financial Officer, remained at its current level of £140,000 per annum.

No bonuses were paid in respect of the periods ended 1 October 2022 and 2 October 2021. Bonus arrangements for the year ending 30 September 2023 have been agreed by the Remuneration Committee and will be based 100% on the achievement of profit targets in the Group's Budget for the year ending 30 September 2023. However, the maximum amount payable under the bonus arrangements will not exceed the current policy limit of 50% of salary.

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

No Directors received dividends during the year (2021: nil).

Directors' Share Awards and Options

The Directors' interests in the LTIP schemes are as follows:

Value Creation Scheme:

On 18 January 2022, the first awards under the VCS were made to the two executive directors, Chris Walters and James Locking. Chris Walters received an award of 40 performance units, whilst James Locking received an award of 20 performance units. Each award represents a grant of a conditional right under the VCS to receive a proportion of 5.5% of the market capitalisation of the Group above a share price hurdle of £1.40, such proportion being determined by dividing the number of each participant's performance units by the aggregate number of performance units issued.

Report of the Remuneration Committee (continued)

Directors' Share Awards and Options (continued)

	Chris Walters No.	James Locking No.
Outstanding at the beginning and end of the period	26,554	16,363

The Directors options granted in the period shown above relate to the Group's SAYE scheme (see Note 26).

On behalf of the Board

Tim Cooper
Chair of the Remuneration Committee
22 May 2023

Directors' report

The Directors present their report and the audited financial statements for the period from 3 October 2021 to 1 October 2022.

Principal activities

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

Chesterfield Special Cylinders

Chesterfield Special Cylinders Limited ("CSC") whose principal activities are the design, manufacture, testing and reconditioning of seamless steel high pressure gas cylinders. In addition to its UK based operation, CSC has one German subsidiary, CSC Deutschland GmbH and one non-trading subsidiary in Pittsburgh, USA.

Precision Machined Components

The Precision Machined Components divisions consists of three trading businesses as follows:

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

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

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

Results and dividends

The consolidated statement of comprehensive income is set out on page 53. The adjusted operating loss on ordinary activities of the Group for the period ended 1 October 2022 amounted to £2.6 million (2021: £1.5 million adjusted loss after restatement, see Note 2). The Group made a loss before taxation of £4.0 million (2021: £5.0 million loss before taxation).

No interim dividend was paid in the period (2021: £nil). The Directors do not recommend the payment of a final dividend (2021: £nil).

Environment

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

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

The Group had no notifiable environmental incidents in 2022 (2021: nil).

Directors' report (continued)

Substantial shareholdings

As at 28 February 2023, the following held or were beneficially interested in 3% or more of the Company's issued ordinary share capital:

	Number of shares	**Percentage of issued share capital owned**
Schroder Investment Management	10,470,367	27.08%
Harwood Capital Management	7,750,000	20.04%
Peter Gyllenhammer AB	4,417,547	11.42%
Hargreaves Lansdown	2,028,281	5.25%
James Sharp & Co	1,761,595	4.56%
abrdn plc	1,268,217	3.28%
A J Bell Group	1,083,294	2.80%
Charles Stanley Group	1,020,719	2.64%

Directors and their interests

The present Directors of the Company are set out on page 2.

During the year the following Directors held office:

NR Salmon (appointed 1 April 2022)
Sir RA Gardner (resigned 31 March 2022)
CL Walters
J Locking (resigned 3 March 2023)
BM Newman (resigned 31 March 2022)
TJ Cooper
MG Butterworth

Subsequent to year end, on 3 March 2023, James Locking stepped down from the Board.

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

Ordinary shares	**31 December 2022 No.**	1 October 2022 No.	2 October 2021 No.
Nick Salmon	**100,000**	-	-
Chris Walters	**118,000**	84,667	84,667
Mike Butterworth	**114,133**	80,800	80,800
Tim Cooper	**45,000**	11,667	11,667

Share options

Details of the share options granted in the period are disclosed in Note 26 to the consolidated financial statements. The Directors' interests in share options are disclosed in the Report of the Remuneration Committee.

Financial instruments

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

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

Information about the use of financial instruments by the Company and its subsidiaries is given in Note 23 to the consolidated financial statements.

Directors' report (continued)

Directors' indemnities

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

Employee involvement

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

Disabled persons

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

Going concern

The financial statements have been prepared on a going concern basis. The Group and Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The principal risks and uncertainties are set out on pages 25 to 29. The Financial Reporting Council issued its "Annual Review of Corporate Reporting 2020/21" in October 2021. The Directors have considered this when preparing these financial statements.

On 21 October 2022, the Group's Revolving Credit Facility (RCF) with Lloyds Bank was amended and its facility term was extended from 30 June 2023 to 31 March 2024, with the facility reducing from £2.4 million to £1.9 million on 31 March 2023 and then to £0.9 million on 30 September 2023. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, recommenced on the first testing date of 30 September 2022 through to the end of the facility. The next testing date is 30 June 2023. Final repayment of this facility is required on 31 March 2024.

Management have produced forecasts for the period up to September 2024 for all business units, taking account of reasonably plausible changes in trading performance and market conditions, which have been reviewed by the Directors. In particular, the forecasts reflect both (i) the award of a major, multi-year contract for the Chesterfield Special Cylinders division to supply air pressure vessels for a major UK naval new construction program, which was announced on 6 February 2023, and also (ii) the recent significantly improved trading in the Precision Machined Components division as oil and gas markets recover, following unprecedented order intake levels which have resulted in an order book of £7.6 million at the end of April 2023, the highest ever order book level for the division. The base case forecast demonstrates that the Group is projected to:

- generate profits and cash in the current financial year and beyond:
- has headroom in financial covenants over the period up to the expiry of the RCF on 31 March 2024, and;
- generates sufficient cash to repay the tranches of the RCF on 30 September 2023 and 31 March 2024 and has sufficient cash reserves beyond 1 April 2024 to manage without the RCF or an alternative financing facility. While the level of cash reserves is relatively low for the period to the end of July 2023, the level is forecast to improve substantially for the remainder of the forecast period.

The Group has also developed downside scenarios, which include consideration of the recent track record of not always achieving budgets. The downside scenario demonstrates the Group's dependence on the performance of large contracts (for example the large naval contract) noted above due to their materiality to the Group's overall results. Management have modelled the downside scenario based on reasonably possible delays in the large naval contract. By their nature, the achievement of performance milestones under these types of contract can be subject to uncertainties, and delays have occurred to similar contracts in the past. These uncertainties include in-house operational delays and inefficiencies, delays in the supply of material and components by suppliers, and delays in the performance of work by subcontractors. The Group often has very limited control of the latter two factors. The achievement of performance milestones enables the Group to recognise revenue and profits under the contract and typically initiates invoicing to, and subsequent cash collection from, the customer.

Directors' report (continued)

As a result, these delays, whilst typically not impacting the financial performance of the contract over its entire duration, can lead to material delays in the timing of profit recognition and cash receipts between periods. Given the size of the particular naval contract, any delays and unforeseen events could have a material impact on the Group's cash reserves and covenant compliance, particularly in the first three months of the forecast period when the level of cash reserves is relatively low.

In the event of delays in the contract, the Group would look to mitigate the impact, partially or fully, by pulling forward contracted work from other customers, and through normal working capital management and other cash preservation initiatives. It should also be noted that work on this contract has already commenced and, to date, no material problems or delays have arisen and the contract is progressing in line with our contractual obligations. The contract has also largely passed through the phase in which the supply of materials and components and the use of third-party contractors, over whom the Group has significantly less control, is at its highest. Nonetheless, this remains a key risk for the business and management are exploring financing options to provide the required flexibility in the event of such downside scenarios.

Given the expiry of the RCF on 31 March 2024 and the step down in its quantum in September 2023, the Group is currently exploring several actions to strengthen the Group and the Company's financial position. In particular, the Group is currently working with an advisor to support the Group's review of funding options, including asset-backed lenders as well as high street banking institutions, in order to replace the Lloyds Bank RCF with new arrangements that will provide the Group with increased facility headroom and flexibility. These discussions are ongoing and management expect this to complete in the second calendar quarter of 2023. In addition to pursuing refinancing opportunities, the Group is also currently exploring other longer-term opportunities to strengthen the Group's balance sheet and cash position, including divesting of non-core activities and the refinancing of the Group's freehold property at Meadowhall Road, Sheffield.

Other factors which could negatively impact the forecasts include:

- Failure to win additional contracts in the Chesterfield Special Cylinders division for hydrogen energy projects due to market factors outside the control of the Group
- Weaker revenue from Integrity Management deployments due to customer delays; and
- The recent improvement in the Precision Machined Components divisional revenue and order book not continuing going forward due to weaker than expected oil and gas market conditions.

The Group believes that these factors are individually less likely to be material to the achievement of the forecasts than potential delays in the large naval contract, but in the event that they occur together with large naval contract delays they may have a negative impact on covenant compliance and cash flow at certain test dates in the forecast period.

The possibility of material delays to the performance of contracts (naval contract in particular) and a replacement financing facility not yet being in place gives rise to material uncertainties, as defined in accounting standards, relating to events and circumstances which may cast significant doubt about the Group's and Parent Company's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

Reflecting management's confidence in delivering large contracts and successfully replacing their finance facility, the Group and Parent Company continue to adopt the going concern basis in preparing these financial statements. Management have concluded that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period to September 2024. Consequently, these financial statements do not include any adjustments that would be required if the going concern basis of preparation were to be inappropriate.

Statement of Directors' responsibilities for the financial statements

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

Company law requires the Directors to prepare Group financial statements for each financial year. Under that law the Directors have to prepare the Group's financial statements in accordance with UK-adopted International Accounting Standards, in conformity with the requirements of the Companies Act 2006. The Directors have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101) (UK Accounting standards). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and parent Company for that period.

Directors' report (continued)

In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that:

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

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

Auditor

A resolution to reappoint Grant Thornton UK LLP was approved at the Annual General Meeting on 31 March 2023.

Corporate governance

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

Cautionary statement on forward-looking statements and related information

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

Subsequent events

On 21 October 2022, the Group's Revolving Credit Facility (RCF) was amended and its facility term was extended from September 2023 to March 2024, with the facility reducing from £2.4 million to £1.9 million in March 2023 and then £0.9 million in September 2023. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, recommenced on the first testing date of 30 September 2022 through to the end of the facility. The September 2022 test period was waived. The December 2022 test was deferred until January 2023 and subsequently waived. The covenants as at March and June 2023 have been amended to reflect the impact of the IFRS 15 contract accounting restatement.

Directors' report (continued)

On 15 November 2022, the Group announced that it was exploring longer term opportunities which included potentially divesting the Precision Machined Components division, to strengthen the Group's balance sheet and cash position and support the strategic investment in the Cylinders division.

On 6 December 2022, 7,600,000 new ordinary shares with a nominal value of 5p each, were issued as part of a fundraising which raised cash proceeds, net of expenses, of approximately £2.1 million. Of that total, £1.7 million was allocated to the share premium account.

On 6 February 2023, the Company announced the major contract placement to one of the Company's subsidiaries by a major UK naval customer for pressure vessel manufacturing for a new construction project. Worth £18.2 million, this contract is the largest ever awarded to a Group company. Progress has commenced against early contract milestones and pressure vessels will be delivered to the customer over the next three years.

By order of the Board.

Chris Walters
Chief Executive
22 May 2023

Audit and Risk Committee report

Members and meetings

The Group's Audit and Risk Committee ("the Committee") is chaired by Mike Butterworth. The Committee's members are set out on the Group's website. All members attended all three meetings during the year. The Committee meets not less than three times a year in a formal capacity and forms sub-groups to address specific matters as necessary outside of these meetings.

Role of the Committee

The Committee's primary responsibilities are to:

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

Terms of reference

The Board fully supports the underlying principles of Corporate Governance contained in the Corporate Governance Code ('the Code') and in 2018 adopted the revised Quoted Companies Alliance Code for Small and Mid-sized Quoted Companies ('the QCA Code').

The responsibility for ensuring compliance and accurate reporting of Corporate Governance resides with the Committee. Corporate Governance will be continually monitored and reviewed formally by the Committee annually, following the publication of the report and accounts each year.

Terms of reference for the Committee, which are reviewed annually, can be found on the Company's website.

External audit

The Group's external auditor is Grant Thornton UK LLP ("Grant Thornton"). A resolution to reappoint Grant Thornton was approved at the Annual General Meeting on 31 March 2023.

The Committee will ensure that at least once every ten years the audit services contract is put out to tender to enable comparison of the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms. The most recent tender was completed in 2018.

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

The Committee formally met with Grant Thornton three times during the year (i) after the conclusion of the full-year FY21 audit when the audit findings were presented, (ii) after the conclusion to their limited review of the FY22 interim results and (iii) to approve the annual audit plan for the FY22 year end.

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

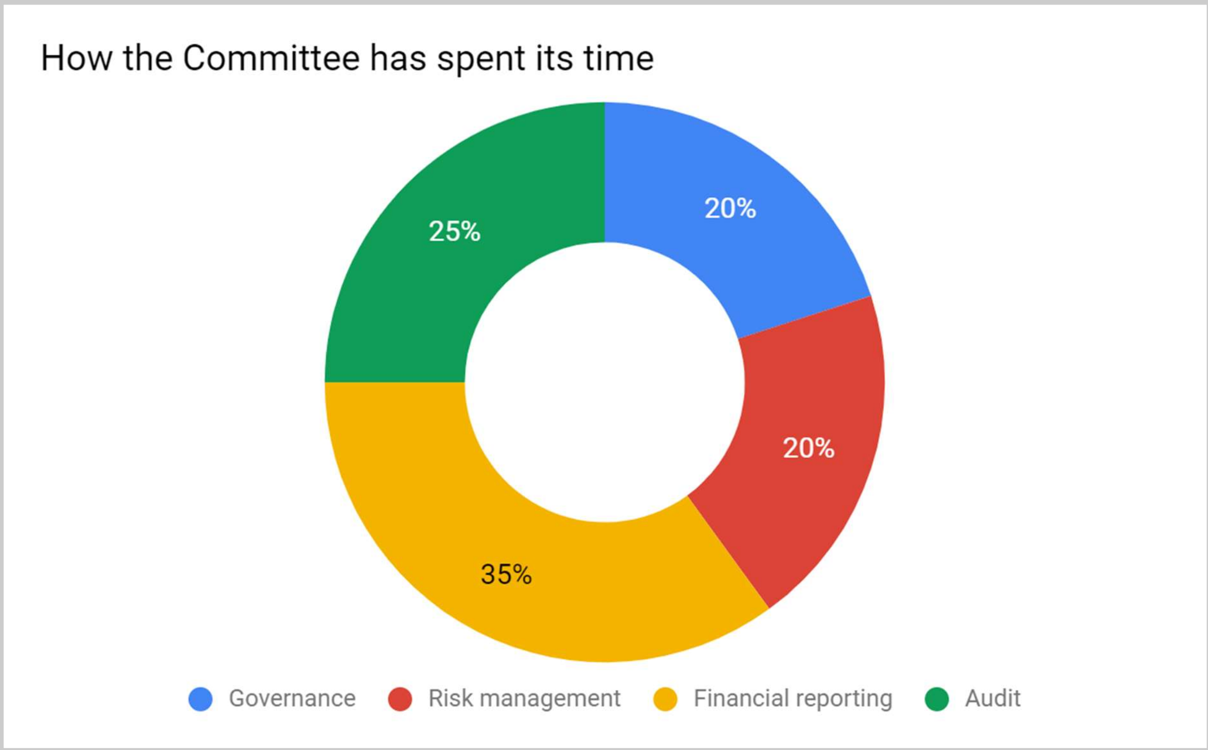
Market Abuse Regulation

The Committee periodically reviews the impact of the Market Abuse Regulation including its treatment of inside information; the relationship with our stockbrokers and analysts; the obligations of Persons Discharging Managerial Responsibilities; and the Company's share dealing code. Appropriate measures are taken to ensure compliance with the implementation of the EU Market Abuse Regulation (EU MAR) which came into effect from 3 July 2016. Following the European Union (Withdrawal) Act 2018, on 31 December 2020, this was onshored into UK law. Changes were made to ensure the onshored legislation (UK MAR) operates effectively in the UK.

Audit and Risk Committee Report (continued)

Significant matters addressed during the year

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



Internal controls

Details of the key risks which the Group faces, the key controls in place to control those risks and the system of risk management adopted by the Group are set out on pages 25 to 29. The Committee has evaluated the effectiveness of the internal controls and the risk management system operated. The evaluation covered all controls including financial, operational, risk management and compliance.

The year under review has continued to see significant disruption to the business due to customer delays, supply chain disruption and operational issues, particularly for the Chesterfield Special Cylinders (CSC) division which experienced a significant reduction in activity in the last quarter whilst also experiencing the delay of a number of Integrity Management deployments. The Precision Machined Components (PMC) division also experienced continued depressed levels of trading, although it did see an improvement in order intake through the last quarter and subsequently.

During the course of the year, an error was identified in the historic application of an accounting standard (IFRS 15) which impacted the comparative period financial statements for FY21 and prior which resulted in a restatement being required. The error was in respect of a small number of long-term defence contracts with one customer where the contractual arrangements were non-standard. The identification of this error led to a significant delay in producing the financial statements for FY22, which was exacerbated by resource issues both internally and with Grant Thornton. Procedures have been put in place and resources strengthened to ensure that future contracts awarded with similar contractual arrangements are correctly accounted for and that delays in producing the financial statements do not repeat.

The Committee will continue to review and advise on the design and operation of internal controls as the organisational structure evolves.

The Group does not have a specific internal audit department. The need for an internal audit department is considered from time to time but currently it is regarded that the costs would outweigh the benefits. If required, external specialists are brought in to perform specific reviews of areas considered a risk. During the year consultants have been engaged for assistance in our discussions with the Group's bankers.

Audit and Risk Committee Report (continued)

Contract accounting judgments and restatement

As explained more fully in our accounting policies on page 59, the CSC division derives a significant proportion of turnover from contracts that span one or more years and are accounted for under the relevant accounting standard, IFRS 15.

Contract costs and revenues may be affected by a number of uncertainties that are dependent on the outcome of future events and therefore estimates may need to be revised as events unfold and uncertainties are resolved. During the year, the Committee examined the methodologies applied to key judgements and were in agreement with the position adopted.

As noted above, during the year an error was identified in respect of the comparative period financial statements arising from a historic incorrect application of IFRS 15, 'Revenue from Contracts with Customers' in respect of a small number of long-term defence contracts. The Committee reviewed a paper from management explaining the basis for the restatement and the impact on the comparative period financial statements and agreed with the proposed treatment.

Going concern

The possibility of material delays to the performance of the large naval contract in CSC and a replacement financing facility not yet being in place gives rise to material uncertainties relating to events and circumstances which may cast significant doubt over the Group's ability to continue as a going concern. However, including consideration as to (i) the very low likelihood of material delays in the large naval contract, (ii) the ability of the Group to mitigate, partially or fully, the impact of any such delays by pulling other contracted work forward or through normal working capital management and other cash preservation initiatives, (iii) the Board's expectation that it will be able to obtain alternative financing to replace the Lloyds Bank RCF in the second calendar quarter of 2023, and (iv) the ongoing work to explore longer term opportunities to strengthen the Group's balance sheet and cash position, the Directors believe the Group has sufficient financial headroom to be able to continue its operations for the foreseeable future. The Directors believe that the Group is in a position to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 16 months from the signing date of these financial statements. Based on the above, the Committee concluded that the application of the going concern basis for the preparation of the Annual Report and Financial Statements remained appropriate, albeit with reference being made to the material uncertainty of the performance of the large naval contract in CSC.

Asset impairment review – PMC and CSC divisions

PMC:

Ongoing uncertainties in the oil and gas market have had a significant negative impact on the PMC division in recent years. Whilst activity levels have improved towards the end of FY22 and in the first half of FY23, these uncertainties are considered to be an indicator that the carrying value of all intangible and tangible assets in the PMC division may need to be impaired.

As part of this impairment review, management has considered a range of economic conditions for the sectors in which the PMC division operates that may exist over the next three years. These economic conditions, together with reasonable and supportable assumptions for as far as we have visibility, have been used to estimate the future cash inflows and outflows for the PMC cash generating unit over the next three years. These forecasts have been prepared by management and are based on a bottom-up assessment of costs and use the current and estimated future sales pipeline. The forecasts used for years two to three assume revenue growth, along with a 1.9% long-term rate of growth or inflation incorporated into the perpetuity calculation at the end of year three. A value in use calculation has been calculated by applying a pre-tax discount rate of 18.0% to the cash flows in these forecasts. The resulting value in use calculation indicated that no impairment was required in the current year. The Committee considered this value in use calculation prepared by management, including the reasonableness of the underlying assumptions, and confirmed the conclusion that no impairment was required.

CSC:

Trading performance in the fourth quarter was significantly below expectations due to a combination of unexpected customer delays, supply chain disruption and the unplanned outage of key equipment, delaying significant revenue into the first half of FY23. Similarly, several Integrity Management deployments planned for the second half were delayed by customers into FY23 and FY24. Input costs from raw materials and energy-intensive processes increased significantly throughout the year, further impacting margins where the costs could not be recovered through price escalations and permitted contract variations within the period.

Audit and Risk Committee Report (continued)

Combined, the disruption to trading from external and internal factors is considered to be an indicator that the carrying value of all intangible and tangible assets in the CSC division may need to be impaired.

As part of this impairment review, management has considered a range of economic conditions for the sectors in which the CSC division operates that may exist over the next three years. These economic conditions, together with reasonable and supportable assumptions for as far as we have visibility, have been used to estimate the future cash inflows and outflows for the CSC cash generating unit over the next three years. These forecasts have been prepared by management and are based on a bottom-up assessment of costs and use the current and estimated future sales pipeline. These future sales include the impact of the award of a £18.2 million major defence contract which was announced on 6 February 2023. The forecasts used for years two to three assume revenue growth, along with a 1.9% long-term rate of growth incorporated into the perpetuity calculation at the end of year three.

A value in use calculation has been calculated by applying a pre-tax discount rate of 18.0% to the cash flows in these forecasts. The resulting value in use calculation indicated that no impairment was required in the current year. The Committee considered this value in use calculation prepared by management, including the reasonableness of the underlying assumptions, and confirmed the conclusion that no impairment was required.

Carrying value of investments in subsidiary undertakings - company only accounts

In the company-only accounts of Pressure Technologies plc, the Company's policy on accounting for investments in subsidiary undertakings is set out on page 95. The results of this year's testing indicated that no impairment was required either in respect of the Company's investment in the holding company, PT Precision Machined Components Limited, which owns the subsidiary companies that comprise the operations of the Precision Machined Components division, or Chesterfield Special Cylinders Limited that includes the operations of the Cylinders division.

As part of the testing, the Committee has reviewed the key assumptions behind these valuations; notably the expected development of future cash flows and the discount rates used, as well as considering reasonable sensitivities to these estimates, and concluded that no impairments were required.

Asset impairment review – freehold property

During the course of the year, in connection with discussions to amend and extend the Group's banking facilities, the Group obtained property valuations from two independent chartered surveyors, Lambert Smith Hampton and Knight Frank, for the freehold property used by CSC at Meadowhall Road, Sheffield. As a result of this valuation, no further impairment is required to the carrying value of freehold property. The Committee considered the valuation and the calculation of the impairment and confirmed that no impairment was required.

Exceptional administration costs

The classification of Exceptional administration costs was considered by the Committee due to their nature and value. For the current year, Exceptional administration costs included bank refinancing and related legal costs and property costs associated with a former managed site. The Committee reviewed reports from management outlining the accounting policy on the classification of Exceptional administration costs (set out on page 72) and satisfied itself that it was appropriate to separately identify these items on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group.

Other matters

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

Approved by the Board and signed on its behalf by:

Mike Butterworth
Chair of the Audit & Risk Committee
22 May 2023

Independent auditor's report to the members of Pressure Technologies Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Pressure Technologies Plc (the 'parent company') and its subsidiaries (the 'group') for the 52-week period ended 1 October 2022, which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Company statement of financial position, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 1 October 2022 and of the group's loss for the 52-week period then ended;
- The group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the going concern section in the Accounting policies in the financial statements, which indicates that at the reporting date, the group and parent company meets its day-to-day working capital requirements through reliance on its available financing facilities. This facility was fully drawn as at 1 October 2022, and has been extended through to 31 March 2024 with repayments scheduled throughout the forecast period and full repayment at the end date. The facility is also subject to quarterly financial covenant tests. Management are currently engaged in a number of activities to obtain replacement financing. Downside scenarios also include delays to large contracts, in particular the naval contract, which could adversely impact going concern cash flow forecasts. The possibility of material delays to the performance of contracts (the naval contract in particular) and a replacement financing facility not yet being in place constitute material uncertainties which may cast significant doubt on the Group and the parent company's ability to continue as a going concern and, therefore, that the Group and Parent Company may be unable to realise their assets and discharge their liabilities in the normal course of business. Our opinion is not modified in respect of these matters.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of management's assessment of the entity's ability to continue as a going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of how management prepared their base case and sensitised forecasts for the period to September 2024;
- Assessing the accuracy of management's forecasting by comparing the reliability of past forecasts to management's actual results, and considering whether management's historic forecasting accuracy impacts the reliance we can place upon the forecasts provided;
- Assessing the terms of the external debt held and challenging management's assessment of covenant compliance and repayments as they fall due throughout the forecast period;
- Assessing the plausibility of the mitigating actions available to management to continue as a going concern if downside sensitivities were to crystalise;
- Performing arithmetical and consistency checks on management's going concern base case model;
- Assessing the timing of the naval contract and work performed post year end, including obtaining an understanding of the cash profile of the contract; and
- Assessing the adequacy of related disclosures within the Annual Report for consistency with management's assessment of going concern and whether they are in line with the accounting standards.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

GrantThornton

Overview of our audit approach

Overall materiality:

- Group: £253,000, which represents 1% of the group's revenue.

Parent company: £139,000, which is 1.1% of the parent company's total assets, capped at its component materiality.

A key audit matter for the Group and parent entity was identified as:

- Going concern – same as previous period.

Key audit matters for the Group were identified as:

- Inappropriate recognition of revenue - same as previous period; and
- Impairment of non-current assets – same as previous period.

A key audit matter for the parent company was identified as:

- Impairment of investments in subsidiaries and recoverability of intercompany balances – same as previous period.

Our auditor's report for the 52-week period ended 2 October 2021 included the same key audit matters as reported above.

Scoping has been determined to ensure appropriate coverage of the group significant risks, and key financial statement line items.
The coverage of key financial statement line items was:

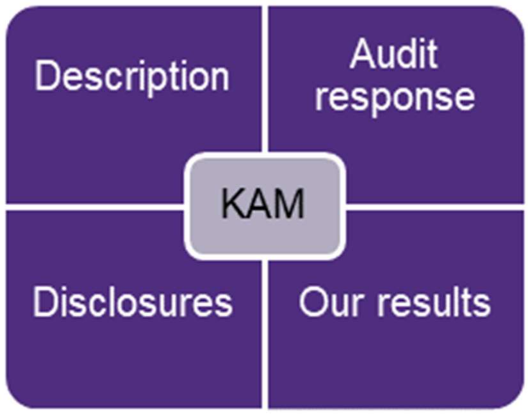
- Revenue 95% (2021: 75%)

We performed an audit of the financial information of five components using component materiality (full-scope audit procedures). We performed specific-scope audit procedures on a further two components using component materiality. We performed analytical procedures on the financial information of the remaining three group components using group materiality.

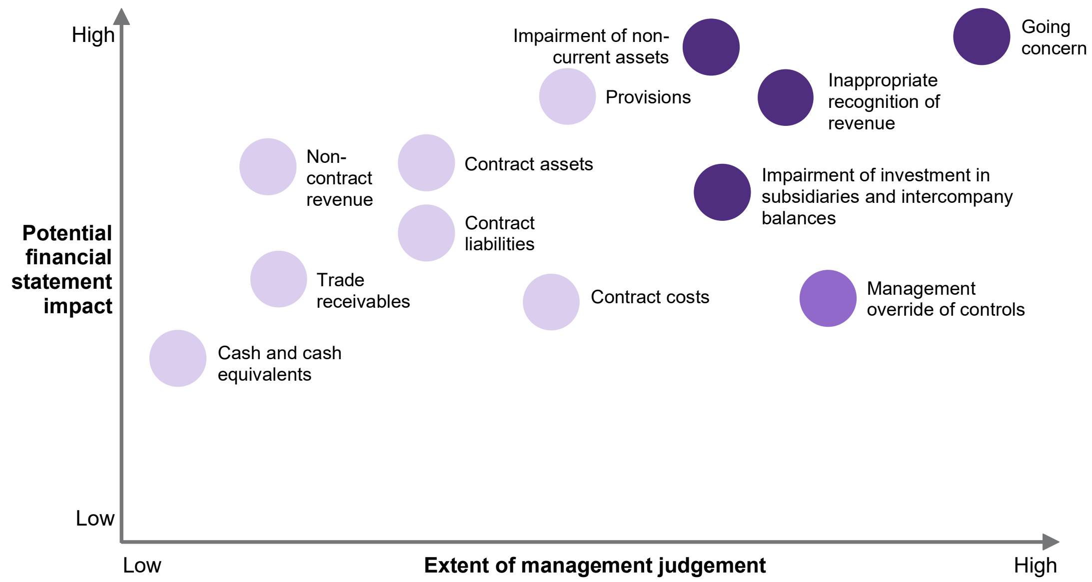
All audit work was performed by the group engagement team. There have been no changes in scope from the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter(s) described below to be the key audit matter(s) to be communicated in our report.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



<table>
<tr><th>Key Audit Matter – Group</th><th>How our scope addressed the matter – Group</th></tr>
<tr><td>Inappropriate recognition of revenue
We identified the inclusion of fraudulent transactions within revenue, as one of the most significant assessed risks of material misstatement due to fraud and error.

Revenue recorded in the financial statements is £24,939,000 (2021: £25,284,000).

The group has entered into contracts with customers which span the 1 October 2022 period end with varying terms and degrees of complexity, generating revenue 'over time'. The group also recognises revenue from other income streams at a 'point in time'.

There is a significant risk of fraudulent reporting due to the judgemental nature of assessing revenue recognised, using the 'over time' principles in International Financial Reporting Standard ('IFRS') 15 'Revenue from Contracts with Customers' and the motivation to meet market expectations. Management's assessment includes several estimates including:
Estimated total contract costs; and
Estimated stage of completion derived from the milestones reached within a contract.</td><td>In responding to the key audit matter, we performed the following audit procedures:
Assessed whether the group's accounting policies for revenue from contracts are in accordance with the financial reporting framework, IFRS 15;
Tested a sample of contracts to original signed agreements;
Performed procedures over management's contract forecast models, testing mathematical accuracy and agreeing amounts and terms to underlying contracts;
For a sample of contracts, recalculated revenue recognised over time using the input method;
Made enquires to obtain an understanding of their process for estimating cost to complete. This was then compared to the current progress of the contract;
Compared costs expected with post year end results and tested a sample of costs to supporting evidence;
Tested the historical accuracy of forecasting by comparing final outturn of completed contracts to forecasts at previous year end;
For contract liabilities, using the sample selected through our revenue testing, we confirmed that there was a contract liability balance based on contractual terms, recalculated the contract liability balance and agreed inputs to supporting documentation, such as invoices raised, and cash received; and
For performance obligations recognised at a point in time, tested a sample to evidence of completion of those performance obligations.</td></tr>
<tr><td>Relevant disclosures in the Annual Report and Accounts 2022
Financial statements (Group): Accounting policies, critical accounting judgements, stage of completion on contracts.
Financial statements (Group): Note 1, Segment analysis.</td><td>Our results
Based on our audit work, we did not identify any material misstatement or fraudulent transactions in the revenue recognised in the period ended 1 October 2022.</td></tr>
<tr><td>Impairment of non-current assets
We identified impairment of non-current assets as one of the most significant assessed risks of material misstatement due to error.

Non-current assets recorded in the financial statements are £11,197,000 (2021: £13,201,000). There is a risk that the carrying amount exceeds the recoverable amount of these assets. The group's two cash-generating units ('CGUs'), have suffered losses in the period and there was a deterioration of the share prices following the trading update on 27 September 2022, both of which may be indicators of impairment.

As required by International Accounting Standard ('IAS') 36 'Impairment of Assets', management performs an impairment review where there is any indication that an impairment has occurred. Recoverable amount is assessed as the higher of value-in-use or fair value less costs to sell. Management have determined that value-</td><td>In responding to the key audit matter, we performed the following audit procedures:
Assessed whether the accounting policy for impairment of non-current assets is in accordance with IAS 36, and whether the accounting policy had been applied consistently through our assessment of the impairment models;
Assessed the appropriateness of the CGUs identified and the allocation of assets and cashflows to these CGUs;
Assessed the integrity of the impairment models by testing the mechanical and mathematical accuracy;
Obtained an understanding of the process used by management to determine the discount rates, and using our internal experts to evaluate those rates against their expectations and industry norms;</td></tr>
</table>

Key Audit Matter – Group	How our scope addressed the matter – Group
in-use represents the recoverable amount. This involves management making several key judgements. The key judgements in assessing non-current assets for impairment include: • The growth rates applied throughout the cash flow and in the terminal year, due to the sensitivity of these assumptions to changes; and • The discount rate applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes • The allocation of corporate assets to the appropriate cash generating unit due to the impact this could have on the carrying value of the asset base.	• Assessed the appropriateness of any changes to assumptions since the prior year; • Performed sensitivity analysis on management's impairment model and own sensitivities; • Challenged the cash flow forecasts and growth rates with reference to historical forecasts and actual performance to assess management's ability to forecast accurately; • Engaged our internal valuations specialists to independently calculate a reasonable range for both the discount rate and long-term growth rate assumptions used within the value in use calculations; and • Assessed the adequacy of the disclosures included within the financial statements for compliance with IAS 36.
Relevant disclosures in the Annual Report and Accounts 2022 • Audit and risk committee report • Financial statements (Group): Accounting policies, critical accounting judgements • Financial statements (Group): Note 14, Property, plant and equipment.	**Our results** Based on our audit work, we did not identify any material misstatement due to error in the impairment of non-current assets as at 1 October 2022.

Key Audit Matter – Parent company	How our scope addressed the matter– Parent company
Impairment of investments in subsidiaries and recoverability of intercompany balances We identified impairment of investments in subsidiaries and recoverability of intercompany receivables as one of the most significant assessed risks of material misstatement due to error. Investments in subsidiaries are recorded in the financial statements, at £5,770,000 (2021: £5,770,000) and intercompany receivables are recorded in the financial statements at £3,6930,000 (2021: £4,991,000). There is a risk that the carrying amounts exceed the recoverable amounts of these investments and intercompany balances. The PMC and CSC subsidiaries both suffered losses in the period which may be an indication of impairment. As required by IAS 36, management perform an impairment review where there is any indication that an impairment has occurred. Recoverable amount is assessed either using discounted cash flows on a value-in-use basis or a fair value less costs to sell basis. The key judgements made by management in assessing the valuation of investments include the growth and discount rates applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes.	In responding to the key audit matter, we performed the following audit procedures: • Assessed whether the accounting policy for investments in subsidiaries is in accordance with IAS 27 'Separate Financial Statements' ('IAS 27') and IAS 36, and whether the accounting policy had been applied consistently; • Assessed whether the accounting policy for the recoverability of intercompany receivables is in accordance with IFRS 9 'Financial instruments' and whether the accounting policy had been applied consistently; • Assessed the integrity of the impairment models by testing the mechanical and mathematical accuracy; • Obtained an understanding the process used by management to determine the discount rates, and using our internal experts to evaluate those rates against their expectations and the industry norms; • Assessed the appropriateness of any changes to assumptions since the prior year; • Challenged the cash flow forecasts and growth rates with reference to historical forecasts and actual performance to assess management's ability to forecast accurately; • Challenged management over the recoverability of intercompany receivables and the related expected credit loss; and

Key Audit Matter – Parent company	How our scope addressed the matter– Parent company
	• Assessed the adequacy of the disclosures included within the financial statements for compliance with IAS 27 and IAS 36.
Relevant disclosures in the Annual Report and Accounts 2022 • Audit and risk committee report • Company financial statements: Note 4, Investments in subsidiary companies.	**Our results** Based on our audit work, we did not identify any material misstatement due to error in the impairment of investments and recoverability of intercompany receivables as at 1 October 2022.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

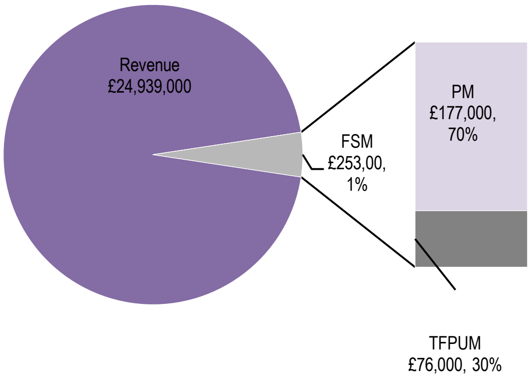
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£253,000, which is 1% of group revenue.	£139,000, which is 1.1% of the parent company's total assets. This has been capped at its component materiality.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: The group's revenue is considered the most appropriate benchmark because it is the most relevant performance measure to the stakeholders of the group and is presented as the first financial highlight on page 14. There is also volatility in the loss before tax, with revenue a more stable benchmark. Materiality for the current 52-week period is lower than the level that we determined for the 52 week period ended 1 October 2021 to reflect the lower revenue of the Group in the current period.	In determining materiality, we made the following significant judgements: The parent company's total assets is considered to be the most appropriate benchmark because it is the most relevant measure of financial position for the stakeholders of the parent company, which does not trade. Materiality for the current 52 week period is higher than the level that we determined for the 52 week period ended 2 October 2021 to reflect the increase in percentage benchmark applied.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£177,000, which is 70% of financial statement materiality.	£97,000, which is 70% of financial statement materiality.

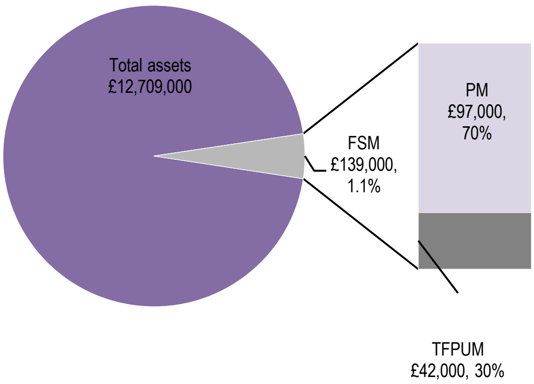
Materiality measure	Group	Parent company
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • The quantum and number of errors identified in the prior year audit were significant enough to result in decreasing the performance materiality threshold. • The changes in management and ongoing sales process in respect of one of the CGUs influenced our decision to decrease the performance materiality threshold.	In determining performance materiality, we made the following significant judgements: • The quantum and number of errors identified in the prior year audit were significant enough to result in decreasing the performance materiality threshold. • The changes in management and ongoing sales process in respect of one of the CGUs influenced our decision to decrease the performance materiality threshold.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • Related party transactions.	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • Related party transactions.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£13,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level; and
- The engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, for example. the level of centralisation of the group control function and the use of service organisations.

Identifying significant components

- The engagement team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's revenue and qualitative factors, such as the component's specific nature or circumstances.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Full-scope audit procedures were performed on the financial information of two components using component materiality. These procedures included a combination of tests of details and analytical procedures.
- Specific-scope audit procedures were carried out on a further four components using component materiality. These procedures included a combination of tests of details and analytical procedures and were designed to increase coverage of the group's financial statement line items.
- For the four components that were not individually significant to the group, we carried out analytical procedures. Where there were material balances in these components that affect the group, we performed procedures on those balances to determine whether there was evidence of material misstatement.
- The key audit matters identified in the key audit matter section of our audit report were addressed with the audit of the significant scoped locations.

Audit approach	No. of components	% Coverage revenue
Audit of component financial information	2	71%
Audit of specific financial statement line items	4	29%
Analytical procedures	4	0%
Total	10	100%

Performance of our audit

- For the audit of financial statement line items, specific procedures were primarily designed to audit the key audit matters, but additional procedures were performed on cash balances;
- We visited all locations which the group operates from for a variety of reasons including inventory count procedures, evidence gathering and discussions with management;
- The primary team performed audit procedures across all components in line with the approach described. There were no component teams engaged to support the primary team.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 36 and 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those related to the reporting frameworks (UK-adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006), as well as the relevant tax regulations.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
    - Journal entries that increased revenues or that reclassified costs from the consolidated statement of comprehensive income to the consolidated statement of financial position;

    - Potential management bias in determining accounting estimates, especially in relation to their assessment of the valuation of non-current assets (group) and investments in subsidiaries and intercompany balances (parent company);
    - Transactions with related parties.

- In assessing the potential risks of material misstatement, we obtained an understanding of :
    - The entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
    - The applicable statutory provisions
    - The entity's control environment, including the relevant legislation, the procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
    - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - Knowledge of the industry in which the client operates
    - Understanding of the legal and regulatory requirements specific to the entity including:
    - The provisions of the applicable legislation
    - The applicable statutory provisions

- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation of deferred income. This is also reported as a key audit matter in the key audit matter section of our report where the matter is explained in more detail and the specific procedures we performed in response to the key audit matter are described.

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

Use of our report

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

Donna Steel
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
22 May 2023

Consolidated statement of comprehensive income

For the 52 week period ended 1 October 2022

	Notes	**52 weeks ended 1 October 2022 £'000**	Restated 52 weeks ended 2 October 2021 £'000
Revenue	1	**24,939**	25,284
Cost of sales		**(19,680)**	(19,347)
Gross profit		**5,259**	5,937
Administration expenses		**(7,883)**	(7,460)
Operating loss before amortisation, impairment and exceptional administration costs		**(2,624)**	(1,523)
Separately disclosed items of administration expenses:			
Amortisation	5	**(101)**	(224)
Impairment	5	**-**	(1,773)
Exceptional administration costs	6	**(968)**	(1,044)
Total administration expenses		**(9,848)**	(10,501)
Operating loss		**(3,693)**	(4,564)
Finance costs	3	**(292)**	(412)
Loss before taxation	4	**(3,985)**	(4,976)
Taxation	10	**(52)**	772
Loss for the period attributable to the owners of the parent		**(4,037)**	(4,204)
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:			
Currency exchange differences on translation of foreign operations		**(5)**	33
Total other comprehensive (expense)/income		**(5)**	33
Total comprehensive expense for the period attributable to the owners of the parent		**(4,042)**	(4,171)
Basic loss per share			
From loss for the period	11	**(13.0)p**	(14.8)p
Diluted loss per share			
From loss for the period	11	**(13.0)p**	(14.7)p

A restatement of the Consolidated statement of comprehensive income for the year ended 2 October 2021 has been undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 2).

The accounting policies and notes on pages 57-92 form part of these financial statements.

Consolidated statement of financial position

As at 1 October 2022

	Notes	1 October 2022 £'000	Restated 2 October 2021 £'000	Restated 3 October 2020 £'000
Non-current assets				
Intangible assets	13	**-**	101	325
Property, plant and equipment	14	**11,197**	13,100	14,910
Deferred tax asset	24	**663**	1,138	464
		11,860	14,339	15,699
Current assets				
Inventories	17	**4,566**	3,708	4,976
Trade and other receivables	18	**9,331**	9,061	7,067
Cash and cash equivalents	29	**1,783**	3,217	3,416
Asset held for sale	15	**-**	195	580
Other financial assets		**-**	-	3,074
Current tax		**58**	414	-
		15,738	16,595	19,113
Total assets		**27,598**	30,934	34,812
Current liabilities				
Trade and other payables	19	**(9,477)**	(5,474)	(9,659)
Borrowings - revolving credit facility	20	**(2,407)**	(4,773)	-
Lease liabilities	21	**(839)**	(1,110)	(1,209)
		(12,723)	(11,357)	(10,868)
Non-current liabilities				
Other payables	19	**(32)**	(241)	(538)
Borrowings – revolving credit facility		**-**	-	(6,773)
Lease liabilities	21	**(2,037)**	(2,245)	(2,843)
Deferred tax liabilities	24	**(703)**	(1,068)	(752)
		(2,772)	(3,554)	(10,906)
Total liabilities		**(15,495)**	(14,911)	(21,774)
Net assets		**12,103**	16,023	13,038
Equity				
Share capital	25	**1,553**	1,553	930
Share premium account		**-**	-	26,172
Translation reserve		**(265)**	(260)	(293)
Retained earnings		**10,815**	14,730	(13,771)
Total equity		**12,103**	16,023	13,038

A restatement of the Consolidated statement of financial position as at 2 October 2021 and 3 October 2020 has been undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 2). The accounting policies and notes on pages 57-92 form part of these financial statements.

The financial statements were approved by the Board on 22 May 2023 and signed on its behalf by:

Chris Walters
Chief Executive
Company Number: 06135104

Consolidated statement of changes in equity

For the 52 week period ended 1 October 2022

	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 3 October 2020		930	26,172	(293)	(13,495)	13,314
Prior period adjustment	2	-	-	-	(276)	(276)
Restated balance at 3 October 2020		930	26,172	(293)	(13,771)	13,038
Share issued		623	6,401	-	-	7,024
Share based payments	26	-	-	-	132	132
Capital reduction transfer		-	(32,573)	-	32,573	-
Transactions with owners		623	(26,172)	-	32,705	7,156
Loss for the period		-	-	-	(3,426)	(3,426)
Prior period adjustment	2	-	-	-	(778)	(778)
Other comprehensive income:						
Exchange differences on translating foreign operations		-	-	33	-	33
Total comprehensive income/ (expense)		-	-	33	(4,204)	(4,171)
Restated balance at 2 October 2021		1,553	-	(260)	14,730	16,023
Share based payments	26	-	-	-	122	122
Transactions with owners		-	-	-	122	122
Loss for the period		-	-	-	(4,037)	(4,037)
Other comprehensive expense:						
Exchange differences on translating foreign operations		-	-	(5)	-	(5)
Total comprehensive expense		-	-	(5)	(4,037)	(4,042)
Balance at 1 October 2022		**1,553**	**-**	**(265)**	**10,815**	**12,103**

A restatement of the Consolidated statement of changes in equity for the years ended 2 October 2021 and 3 October 2020 has been undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 2).

The accounting policies and notes on pages 57-92 form part of these financial statements.

Consolidated statement of cash flows

For the 52 week period ended 1 October 2022

	Notes	**52 weeks ended 1 October 2022 £'000**	52 weeks ended 2 October 2021 £'000
Operating activities			
Cash flows from operating activities	27	**819**	(6,166)
Finance costs paid		**(292)**	(412)
Income tax refunded		**138**	-
Net cash inflow/(outflow) from operating activities		**665**	(6,578)
Investing activities			
Proceeds from sale of fixed assets		**2,063**	477
Proceeds from repayment of promissory note		**-**	3,074
Purchase of property, plant and equipment		**(536)**	(1,325)
Net cash inflow from investing activities		**1,527**	2,226
Financing activities			
Repayment of borrowings		**(2,366)**	(2,000)
Repayment of lease liabilities		**(1,260)**	(1,805)
Shares issued net of transaction costs		**-**	7,024
Proceeds from asset financing		**-**	934
Net cash (outflow)/inflow from financing activities		**(3,626)**	4,153
Net decrease in cash and cash equivalents		**(1,434)**	(199)
Cash and cash equivalents at beginning of period		**3,217**	3,416
Cash and cash equivalents at end of period		**1,783**	3,217

The accounting policies and notes on pages 57-92 form part of these financial statements.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards, in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 (FRS 101). These are presented on pages 93 to 105. The financial statements are made up to the Saturday nearest to the period end for each financial period.

Pressure Technologies plc, company number 06135104, is incorporated and domiciled in the United Kingdom. The registered office address is Pressure Technologies Building, Meadowhall Road, Sheffield, South Yorkshire, S9 1BT.

The Group has applied all accounting standards and interpretations issued relevant to its operations for the period ended 1 October 2022. The consolidated financial statements have been prepared on a going concern basis.

Going concern

The financial statements have been prepared on a going concern basis. The Group and Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The principal risks and uncertainties are set out on pages 25 to 29. The Financial Reporting Council issued its "Annual Review of Corporate Reporting 2020/21" in October 2021. The Directors have considered this when preparing these financial statements.

On 21 October 2022, the Group's Revolving Credit Facility (RCF) with Lloyds Bank was amended and its facility term was extended from 30 June 2023 to 31 March 2024, with the facility reducing from £2.4 million to £1.9 million on 31 March 2023 and then to £0.9 million on 30 September 2023. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, recommenced on the first testing date of 30 September 2022 through to the end of the facility. The next testing date is 30 June 2023. Final repayment of this facility is required on 31 March 2024.

Management have produced forecasts for the period up to September 2024 for all business units, taking account of reasonably plausible changes in trading performance and market conditions, which have been reviewed by the Directors. In particular, the forecasts reflect both (i) the award of a major, multi-year contract for the Chesterfield Special Cylinders division to supply air pressure vessels for a major UK naval new construction program, which was announced on 6 February 2023, and also (ii) the recent significantly improved trading in the Precision Machined Components division as oil and gas markets recover, following unprecedented order intake levels which have resulted in an order book of £7.6 million at the end of April 2023, the highest ever order book level for the division. The base case forecast demonstrates that the Group is projected to:

- generate profits and cash in the current financial year and beyond:
- has headroom in financial covenants over the period up to the expiry of the RCF on 31 March 2024, and;
- generates sufficient cash to repay the tranches of the RCF on 30 September 2023 and 31 March 2024 and has sufficient cash reserves beyond 1 April 2024 to manage without the RCF or an alternative financing facility. While the level of cash reserves is relatively low for the period to the end of July 2023, the level is forecast to improve substantially for the remainder of the forecast period.

The Group has also developed downside scenarios, which include consideration of the recent track record of not always achieving budgets. The downside scenario demonstrates the Group's dependence on the performance of large contracts (for example the large naval contract) noted above due to their materiality to the Group's overall results. Management have modelled the downside scenario based on reasonably possible delays in the large naval contract. By their nature, the achievement of performance milestones under these types of contract can be subject to uncertainties, and delays have occurred to similar contracts in the past. These uncertainties include in-house operational delays and inefficiencies, delays in the supply of material and components by suppliers, and delays in the performance of work by subcontractors. The Group often has very limited control of the latter two factors. The achievement of performance milestones enables the Group to recognise revenue and profits under the contract and typically initiates invoicing to, and subsequent cash collection from, the customer.

As a result, these delays, whilst typically not impacting the financial performance of the contract over its entire duration, can lead to material delays in the timing of profit recognition and cash receipts between periods. Given the size of the particular naval contract, any delays and unforeseen events could have a material impact on the Group's cash reserves and covenant compliance, particularly in the first three months of the forecast period when the level of cash reserves is relatively low.

Accounting policies (continued)

In the event of delays in the contract, the Group would look to mitigate the impact, partially or fully, by pulling forward contracted work from other customers, and through normal working capital management and other cash preservation initiatives. It should also be noted that work on this contract has already commenced and, to date, no material problems or delays have arisen and the contract is progressing in line with our contractual obligations. The contract has also largely passed through the phase in which the supply of materials and components and the use of third-party contractors, over whom the Group has significantly less control, is at its highest. Nonetheless, this remains a key risk for the business and management are exploring financing options to provide the required flexibility in the event of such downside scenarios.

Given the expiry of the RCF on 31 March 2024 and the step down in its quantum in September 2023, the Group is currently exploring several actions to strengthen the Group and the Company's financial position. In particular, the Group is currently working with an advisor to support the Group's review of funding options, including asset-backed lenders as well as high street banking institutions, in order to replace the Lloyds Bank RCF with new arrangements that will provide the Group with increased facility headroom and flexibility. These discussions are ongoing and management expect this to complete in the second calendar quarter of 2023. In addition to pursuing refinancing opportunities, the Group is also currently exploring other longer-term opportunities to strengthen the Group's balance sheet and cash position, including divesting of non-core activities and the refinancing of the Group's freehold property at Meadowhall Road, Sheffield.

Other factors which could negatively impact the forecasts include:

- Failure to win additional contracts in the Chesterfield Special Cylinders division for hydrogen energy projects due to market factors outside the control of the Group
- Weaker revenue from Integrity Management deployments due to customer delays; and
- The recent improvement in the Precision Machined Components divisional revenue and order book not continuing going forward due to weaker than expected oil and gas market conditions.

The Group believes that these factors are individually less likely to be material to the achievement of the forecasts than potential delays in the large naval contract, but in the event that they occur together with large naval contract delays they may have a negative impact on covenant compliance and cash flow at certain test dates in the forecast period.

The possibility of material delays to the performance of contracts (naval contract in particular) and a replacement financing facility not yet being in place gives rise to material uncertainties, as defined in accounting standards, relating to events and circumstances which may cast significant doubt about the Group's and Parent Company's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

Reflecting management's confidence in delivering large contracts and successfully replacing their finance facility, the Group and Parent Company continue to adopt the going concern basis in preparing these financial statements. Management have concluded that the Group and Parent Company will be able to continue in operation and meet their liabilities as they fall due over the period to September 2024. Consequently, these financial statements do not include any adjustments that would be required if the going concern basis of preparation were to be inappropriate.

New standards adopted in 2022

No new standards were applied during the year.

Amendments to IFRSs that are mandatorily effective for the current year

At the date of the authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. The impact of new standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting judgements

Stage of completion on contracts
The majority of contracts have payment terms based on contractual milestones, which are not always aligned to when revenue is recognised. The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as a contract liability in the statement of financial position. Similarly, if the Group satisfies or partially satisfies a performance obligation before it hits a contractual billing milestone/raises an invoice, then it will recognise either a contract asset or a receivable in its statement of financial position. See Note 22.

Impairment reviews – freehold land and buildings
The Group holds a number of freehold land and buildings, including Cylinders' main facility at Meadowhall Road, Sheffield. As part of discussions with the Group's bankers during the year, the Directors obtained a valuation of this building which indicated that no impairment of this asset was required. See Note 14.

Key sources of estimation uncertainty

Inventory provisions
The Directors have reviewed the level of inventory provisions carried against inventory in the light of outstanding current and anticipated customer orders. The future realisation of carrying amounts is affected by whether the anticipated level of orders is achieved. The level of inventory provisions is disclosed in Note 17 to the financial statements.

Stage of completion on contracts
Revenue recognised from manufacturing contracts reflects management's best estimate about each contract's outcome and stage of progress but is subject to estimation uncertainty. For more complex contracts in particular, costs to complete and contract profitability are subject to more significant estimation uncertainty. See Note 22.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 1 October 2022 (2021: to 2 October 2021). Subsidiaries are all entities which the Group has the power to control. The consolidated financial statements of the Group incorporate the financial statements of the parent company as well as those entities controlled by the Group.

Control is achieved when the Company:

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

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

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

Accounting policies (continued)

Revenue

Revenue recognition
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 and Hydrogen Energy.

Under IFRS 15, in order 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 in the Cylinders division is recognised over time as the product is being manufactured or a service being provided if any of the following criteria are met:

- The Group is creating a bespoke item which doesn't have an alternative use to the Group, the time between order and completion of the contract is longer than six months and the entity has a right to payment for work completed to date including a reasonable profit.
- The customer controls the asset that is being created or enhanced during the manufacturing process
- Services provided where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Judgement is required when determining if a contract meets the criteria for recognition over time and the proportion of revenue to recognise as products are being manufactured. Judgement is also applied in determining how many performance obligations there are within each contract and whether the development phase represents a separate obligation. The stage of completion of a contract is determined by reference to the costs that have been incurred as a proportion of the total costs of the forecasted contract. The basis used is dependent upon the nature of the underlying contract and takes into account the degree to which the physical proportion of the work is subject to certification procedures. Losses on contracts are recognised at the point when such losses become probable. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The revenue is measured at the fixed transaction price agreed under the contract. If the contract includes an hourly fee for services, revenue is recognised in the amount to which the Company has a right to invoice. Customers are invoiced on a bi-monthly basis and consideration is payable when invoiced. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue of the Cylinders division that does not meet the criteria for recognition over time is recognised at a point in time on notification that the product is ready for collection, despatch or delivery dependent on terms of sale.

Revenue of the Precision Machined Components division is not considered to meet the criteria for recognition over time and is recognised at a point in time on notification that the product is ready for collection, despatch or delivery dependent on terms of sale.

Accounting policies (continued)

Share based employee remuneration

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

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

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

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options or awards expected to vest. Non-market vesting conditions are included in assumptions about the number of options or awards that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options or awards expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

No adjustment is made to any expense recognised in prior periods if share options or awards ultimately exercised are different to those estimated on vesting. Upon exercise of share options or awards, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as additional paid-in capital.

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

Dividends

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

Property, plant and equipment

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

Buildings	50 years
Plant and machinery	3 – 15 years

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

Intangible assets

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

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

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

Accounting policies (continued)

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

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

Technology	7.5 - 15 years
IT systems & software licenses	3-5 years
Development expenditure	5 - 15 years

Impairment testing of non-current assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Leased assets

The Group as a lessee
For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included as a separate line item, 'Lease liabilities'.

Accounting policies (continued)

Sale and leaseback

The treatment of sale and leaseback transactions depends on whether the transfer of the asset in question meets the criteria of *IFRS 15 Revenue from Contracts with Customers* for recognition as a sale.

A sale and leaseback qualifies as a sale if the buyer/lessor obtains control of the underlying asset. The seller/lessee measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The gain (or loss) that the seller/lessee recognises is limited to the proportion of the total gain (or loss) that relates to the rights transferred to the buyer/lessor.

Inventories

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

Income taxes

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

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

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

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

Financial Instruments
Recognition and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Accounting policies (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables and contract assets which are presented within other expenses.

Subsequent measurement of financial assets

- *Financial assets at amortised cost:* Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
    - they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
    - the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds.

- *Financial assets at fair value through profit or loss (FVTPL):* Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- *Financial assets at fair value through other comprehensive income (FVOCI):* The Group accounts for financial assets at FVOCI if the assets meet the following conditions:
    - they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
    - the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Accounting policies (continued)

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis; as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities
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. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Cash and cash equivalents

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

Equity and reserves

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

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

Foreign currency translation

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

Accounting policies (continued)

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

Grants

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

Pensions

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

Exceptional administration costs

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

Operating loss

Operating loss is stated before finance costs, finance income and taxation. Adjusted operating loss is stated after adding back amortisation, impairments and other exceptional costs. This alternative performance measure is used in discussions with the Board, management and investors to aid the understanding of the performance of the Group. The Group considers that the presentation of this alternative performance measure allows for improved insight to the trading performance of the Group. The Group consider that the term 'Adjusted' together with an adjusting items category, best reflects the trading performance of the Group.

Provisions

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

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

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

Asset held for sale

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as deferred tax assets or financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Notes to the consolidated financial statements

1. Segment analysis

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

- Cylinders: the design, manufacture and reconditioning of seamless high pressure gas cylinders.
- Precision Machined Components: the manufacture of specialised, precision engineered valve wear parts used primarily in the oil and gas industries.

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

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

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

The financial information by segment detailed below is frequently reviewed by the Chief Executive who has been identified as the Chief Operating Decision Maker (CODM).

For the 52 week period ended 1 October 2022

	Cylinders £'000	**Precision Machined Components £'000**	**All other segments £'000**	**Total £'000**
Revenue from external customers	17,583	7,356	-	**24,939**
Gross profit/(loss)	4,521	838	(100)	**5,259**
Operating profit/(loss) before amortisation and exceptional administration costs	409	(1,100)	(1,933)	**(2,624)**
Amortisation	-	(161)	60	**(101)**
Exceptional administration (costs)/income	(403)	50	(615)	**(968)**
Operating profit/(loss)	6	(1,211)	(2,488)	**(3,693)**
Net finance costs	(37)	(73)	(182)	**(292)**
Profit/(loss) before tax	(31)	(1,284)	(2,670)	**(3,985)**
Segmental net assets/(liabilities) *	7,330	7,708	(2,935)	**12,103**
Other segment information:				
Capital expenditure - property, plant and equipment	559	526	47	**1,132**
Depreciation	679	790	209	**1,678**
Amortisation	-	101	-	**101**

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

Notes to the consolidated financial statements (continued)

1. Segment analysis (continued)

Restated for the 52 week period ended 2 October 2021

	Cylinders £'000	Precision Machined Components £'000	All other segments £'000	Total £'000
Revenue	18,877	6,407	-	25,284
Gross profit/(loss)	5,324	696	(83)	5,937
Operating profit/(loss) before amortisation, impairment and exceptional administration costs	2,056	(1,647)	(1,932)	(1,523)
Amortisation and impairment	(916)	(56)	(1,025)	(1,997)
Exceptional administration costs	(250)	(501)	(293)	(1,044)
Operating profit/(loss)	890	(2,204)	(3,250)	(4,564)
Net finance costs	(82)	(85)	(245)	(412)
Profit/(loss) before tax	808	(2,289)	(3,495)	(4,976)
Segmental net assets/(liabilities) *	7,515	9,352	(844)	16,023
Other segment information:				
Capital expenditure - property, plant and equipment	795	487	217	1,499
Depreciation	632	818	205	1,655
Amortisation	87	56	81	224

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

A restatement of the Segmental analysis for the year ended 2 October 2021 has been undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 2).

Notes to the consolidated financial statements (continued)

1. Segment analysis (continued)

The Group's revenue disaggregated by primary geographical markets is as follows:

Revenue	**2022**			2021		
	Cylinders £'000	**Precision Machined Components £'000**	**Total £'000**	Cylinders £'000	Precision Machined Components £'000	Total £'000
United Kingdom	**12,406**	**3,720**	**16,126**	15,270	2,950	18,220
France	**2,958**	**68**	**3,026**	1,164	-	1,164
Norway	**885**	**272**	**1,157**	23	306	329
USA	**3**	**1,071**	**1,074**	-	798	798
Romania	**-**	**972**	**972**	-	916	916
Italy	**-**	**764**	**764**	-	776	776
Taiwan	**393**	**-**	**393**	-	-	-
Netherlands	**359**	**-**	**359**	164	-	164
Germany	**272**	**-**	**272**	616	-	616
Switzerland	**-**	**-**	**-**	748	-	748
South Korea	**-**	**-**	**-**	294	-	294
Rest of Europe	**157**	**8**	**165**	8	171	179
Rest of World	**150**	**481**	**631**	590	490	1,080
	17,583	**7,356**	**24,939**	18,877	6,407	25,284

During the year, there were two customers who each contributed to over 10% of total Group revenue. These revenues were £5.2 million (20.9%) and £3.0 million (12.0%), both within the Cylinders segment (2021: two customers, £6.7 million (26.3%) and £3.8 million (15.0%), both reported in the Cylinders segment).

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

Revenue	**2022 £'000**	2021 £'000
Oil and gas	**7,953**	6,076
Defence	**13,483**	11,070
Industrial	**1,099**	5,949
Hydrogen energy	**2,404**	2,189
	24,939	25,284

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

The Group's revenue disaggregated by pattern of revenue recognition and category is as follows:

Revenue	**2022**		2021	
	Cylinders £'000	**Precision Machined Components £'000**	Cylinders £'000	Precision Machined Components £'000
Sale of goods transferred at a point in time	**3,336**	**7,021**	1,080	6,006
Sale of goods transferred over time	**12,584**	**-**	15,594	-
Rendering of services	**1,663**	**335**	2,203	401
	17,583	**7,356**	18,877	6,407

Notes to the consolidated financial statements (continued)

1. Segment analysis (continued)

The following aggregated amounts of transaction values relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 1 October 2022:

Revenue expected in future periods	2023 £'000
Sale of goods - Cylinders	4,601

The following table provides an analysis of the carrying amount of non-current assets and additions to property, plant and equipment, all of which is held within the United Kingdom.

	2022 **£'000**	2021 £'000
Non-current assets	**11,197**	14,247
Additions to property, plant and equipment	**1,132**	1,499

2. Restatement in respect of IFRS 15 "Revenue from Contracts with Customers"

During the year, the Group reviewed its accounting policy and past accounting treatment in respect of a small number of long-term defence contracts within its Cylinders division.

Since FY19, the Group has consistently applied an accounting treatment whereby revenue for these specific defence contracts was recognised using an 'Output' methodology under IFRS 15, 'Revenue from Contracts with Customers' ("IFRS 15"), with costs being accrued to achieve a uniform profit margin throughout the multi-year life of the contracts, resulting in cost deferrals at financial period ends. Whilst this cost treatment impacted the timing of profit recognition between financial periods, it had no impact on either the total profitability of the contracts over their entire lives, nor the quantum or timing of cash flows. During the year, it was noted that this accounting treatment is not in compliance with IFRS 15, which requires that all costs incurred in the period relating to the contract should be immediately expensed. This means that cost deferral to achieve a uniform contract profit margin, as historically adopted by the Group, is not permitted. As a result, the comparative period financial statements have been restated as detailed in the tables below. These accounting adjustments only impact the timing of profit recognition under these specific contracts. They do not impact the net debt position of the Group at any date, the future cash generation profile of the Group, nor the underlying trading or operations of the business.

As at, and for the year ended, 2 October 2021, the impact of the restatement was as follows:

	2021 Presented	2021 Adjustment	2021 Restated
Income statement items:			
Cost of sales	(18,569)	(778)	(19,347)
Gross profit	6,715	(778)	5,937
Operating loss	(3,786)	(778)	4,564
Loss for the period attributable to the owners of the parent	(3,426)	(778)	4,204
Balance sheet items:			
Inventories – Raw materials	3,000	(625)	2,375
Inventories – Work in progress	1,732	(429)	1,303
Total equity	(17,077)	1,054	(16,023)

Notes to the consolidated financial statements (continued)

2. Restatement in respect of IFRS 15 “Revenue from Contracts with Customers” (continued)

As at, and for the year ended, 3 October 2020, the impact of the restatement was as follows:

	2020 Presented	2020 Adjustment	2020 Restated
Balance sheet items:			
Inventories – Raw materials	2,749	(276)	2,473
Total equity	(13,314)	276	(13,038)

Effect on FY22:

Had the restatement not been applied, the income statement measures for the year ended 1 October 2022 set out below would have differed by the following amounts:

Amount by which income items would have been changed:

	£’000
Cost of sales – higher by	1,054
Gross profit – reduced by	1,054
Operating loss – increased by	1,054
Loss for the period attributable to the owners of the parent – increased by	1,054

3. Finance costs

	2022 **£’000**	2021 £’000
Interest receivable	**-**	(40)
Interest payable on bank loans and overdrafts	**168**	332
Interest payable on lease liabilities	**124**	120
	292	412

4. Loss before taxation

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

	2022 **£’000**	2021 £’000
Depreciation of property, plant and equipment – owned assets	**1,114**	956
Depreciation of property, plant and equipment – leased assets	**564**	699
(Profit)/loss on disposal of fixed assets	**(327)**	78
Amortisation of intangible assets	**101**	224
Amortisation of grants receivable	**(66)**	(40)
Staff costs - excluding share based payments (see Note 8)	**9,234**	8,899
Cost of inventories recognised as an expense	**12,463**	12,821
Share based payments (see Note 8)	**122**	132

Included in the (profit)/loss on disposal of fixed assets in 2022 is a £401,000 profit relating to the sale and leaseback of the property at Roota Engineering Limited, part of the Precision Machined Components division.

Notes to the consolidated financial statements (continued)

5. Amortisation and Impairment

	2022	2021
	£'000	£'000
Amortisation of intangible assets	**101**	224
Property impairment	**-**	655
ERP system impairment	**-**	1,118
	101	1,997

6. Exceptional administration costs

	2022	2021
	£'000	£'000
Refinancing Group banking facilities	**344**	175
Property costs	**280**	206
Final settlement for ERP system costs	**193**	-
Reorganisation and redundancy	**-**	425
Historical contract settlement	**88**	-
Impairment of inventory and work in progress	**121**	240
Reversal of inventory provision from prior year	**(91)**	-
Release of bad debt provision	**-**	(168)
Closure of Precision Machined Components facility (Quadscot)	**-**	166
New Long-Term Incentive Plan set up costs	**33**	-
	968	1,044

Property costs relate to two closed sites of a formerly owned entity. The leases relating to this former entity have been surrendered and no further costs are expected in FY23.

7. Auditor's remuneration

	2022	2021
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company and consolidated financial statements	**195**	80
Fees payable to the Company's auditor and its associates for other services:		
- Audit of the Company's subsidiaries pursuant to legislation	**90**	72
Fees payable to the Company's auditor for non-audit services:		
- Tax compliance services	**-**	27
- Tax advisory services	**3**	7
- Audit related services	**22**	20
- Other non-audit services	**12**	5

Amounts paid to the Group's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed separately as the information is only required to be disclosed on a consolidated basis.

Notes to the consolidated financial statements (continued)

8. Employee costs

Particulars of employees, including Executive Directors:

	2022	2021
	£'000	£'000
Wages and salaries	**7,972**	7,563
Social security costs	**813**	784
Pension costs	**449**	552
Share based payments (see Note 26)	**122**	132
	9,356	9,031

Included in Wages and salaries is furlough grant income of £nil (2021: £409,000).
The average monthly number of employees (including Executive Directors) during the period was as follows;

	2022	2021
	No.	No.
Production	**144**	144
Selling and distribution	**14**	16
Administration	**39**	41
	197	201

9. Directors' remuneration

Particulars of Directors' remuneration are as follows:

	2022	2021
	£'000	£'000
Emoluments	**597**	487
Pension costs	**13**	19
Share based payments	**15**	28
	625	534

Please see the Report of the Remuneration Committee on pages 30 to 32 for full details of Directors' emoluments.

Emoluments include £53,641 (2021: £28,221) of taxable accommodation and travel expenses and £13,298 (2021: £10,013) of taxable allowance in lieu of employer pension contributions.

No Directors exercised any share options in the period. During the year retirement benefits were accruing to one (2021: two) Directors in respect of defined contributions schemes.

Included in the aggregate emoluments for the period ended 1 October 2022 are payments of £nil (2021: £12,500) made to companies controlled by Directors.

The highest paid Director received total emoluments of £283,000 and pension contributions of £nil (2021: total emoluments of £247,000 and pension contributions of £10,000).

Notes to the consolidated financial statements (continued)

10. Taxation

	2022 £'000	2021 £'000
Current tax charge/(credit)		
Current tax expenses	**7**	-
Over provision in respect of prior years	**(65)**	(414)
	(58)	(414)
Deferred tax charge/(credit)		
Origination and reversal of temporary differences	**(494)**	(387)
Under provision in respect of prior years	**604**	29
	110	(358)
Total taxation charge/(credit)	**52**	(772)

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the period. Deferred tax is calculated at the rate applicable when the temporary differences are expected to unwind.

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

	2022 £'000	Restated 2021 £'000
Loss before taxation	**(3,985)**	(4,976)
Theoretical tax credit at UK corporation tax rate 19% (2021: 19%)	**(757)**	(945)
Effect of charges/(credits):		
- non-deductible expenses	**20**	(3)
- non-deductible exceptional items	**159**	393
- adjustments in respect of prior years	**539**	(385)
- difference due to correct of error in prior year	**-**	147
- change in taxation rates	**(34)**	16
- differences in deferred tax rates	**-**	(17)
- losses not previously recognised now utilised	**125**	22
Total taxation charge/(credit)	**52**	(772)

An increase in the UK corporation tax rate to 25% was substantively enacted in May 2021 and is due to take effect from 1 April 2023. As the most significant timing differences are not expected to unwind until 2023 or later, the deferred tax rate was maintained at 25% in the period.

Notes to the consolidated financial statements (continued)

11. Loss per ordinary share

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

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive share options. As the Group made a loss after taxation for the financial year there is no dilution to take place.

On 6 December 2022 the Group undertook a fundraising through the issue of 7,600,000 new ordinary shares (see Note 25).

For the 52 week period ended 1 October 2022

	Total £'000
Loss after tax	**(4,037)**
	No.
Weighted average number of shares – basic	**31,067,163**
Basic loss per share	**(13.0)p**
Diluted loss per share	**(13.0)p**

The Group adjusted loss per share is calculated as follows:

	Total £'000
Loss after tax	**(4,037)**
Amortisation (see Note 5)	**101**
Exceptional administration costs (see Note 6)	**968**
Theoretical tax effect of the above adjustments	**(203)**
Adjusted loss	**(3,171)**
Adjusted loss per share	**(10.2)p**

In the Directors' view, adjusted loss per share reflects the ongoing performance of the business, how the business is managed on a day to day basis, and allows for a consistent and meaningful comparison between periods.

The theoretical tax effect is based on applying a 19% tax rate to the adjustments for amortisation and other exceptional costs incurred.

Notes to the consolidated financial statements (continued)

11. Loss per ordinary share (continued)

Restated for the 52 week period ended 2 October 2021

	Total £'000
Loss after tax	(4,204)

	No.
Weighted average number of shares – basic	28,463,119

Basic loss per share	(14.8)p
Diluted loss per share	(14.8)p

The Group adjusted loss per share is calculated as follows:

Loss after tax	(4,204)
Amortisation and Impairment (see Note 5)	1,997
Exceptional administration costs (see Note 6)	1,044
Theoretical tax effect of the above adjustments	(241)
Adjusted loss	(1,404)
Adjusted loss per share	(4.9)p

A restatement of the loss per ordinary share Consolidated statement of comprehensive income for the year ended 2 October 2021 has been undertaken to correct an error which related to incorrect treatment of certain contract accounting transactions (see Note 2).

12. Dividends

No dividends have been declared or proposed in either the 52 week period ended 1 October 2022 or the 52 week period ended 2 October 2021.

Notes to the consolidated financial statements (continued)

13. Intangible assets

Cost	Intellectual Property £'000	IT systems & Software Licenses £'000	Development expenditure £'000	Non-contractual customer relationships £'000	Total £'000
At 3 October 2020, 2 October 2021 and 1 October 2022	**2,796**	**684**	**175**	**11,880**	**15,535**
Amortisation					
At 3 October 2020	2,796	446	88	11,880	15,210
Charge for the period	-	137	87	-	224
At 2 October 2021	2,796	583	175	11,880	15,434
Charge for the period	-	101	-	-	101
At 1 October 2022	**2,796**	**684**	**175**	**11,880**	**15,535**
Net book value					
At 1 October 2022	**-**	**-**	**-**	**-**	**-**
At 2 October 2021	-	101	-	-	101

Notes to the consolidated financial statements (continued)

14. Property, plant and equipment

	Assets under construction £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 3 October 2020	1,164	5,255	17,394	23,813
Additions - right of use assets	-	-	174	174
Additions	740	-	585	1,325
Disposals	-	-	(490)	(490)
Transfers	(964)	-	964	-
At 2 October 2021	940	5,255	18,627	24,822
Additions - right of use assets	-	399	197	596
Additions	378	-	158	536
Disposals	-	(1,429)	(2,541)	(3,970)
Transfers	(290)	-	290	-
At 1 October 2022	**1,028**	**4,225**	**16,731**	**21,984**
Depreciation				
At 3 October 2020	-	446	8,457	8,903
Charge for the period	-	26	1,629	1,655
Disposals	-	-	(320)	(320)
Impairment	829	655	-	1,484
At 2 October 2021	**829**	**1,127**	**9,766**	**11,722**
Charge for the period	-	306	1,372	1,678
Disposals	-	(476)	(2,137)	(2,613)
At 1 October 2022	**829**	**957**	**9,001**	**10,787**
Net book value				
At 1 October 2022	**199**	**3,268**	**7,730**	**11,197**
At 2 October 2021	111	4,128	8,861	13,100
Leased assets				
Carrying value at 1 October 2022	**-**	**619**	**2,772**	**3,391**
Carrying value at 2 October 2021	-	644	4,232	4,876

Notes to the consolidated financial statements (continued)

14. Property, plant and equipment (continued)

Included within 'Land and buildings' is the disposal of the freehold property occupied by Roota Engineering Limited, part of the Precision Machined Components division, following completion of a sale and leaseback transaction that took place during the period. The gross sale proceeds were £1.65 million and the gain on disposal of the asset of £401,000 is disclosed in note 4.

Also included within 'Land and buildings' is Cylinders' main facility at Meadowhall Road, Sheffield, which is carried at cost. As part of discussions with the Group's bankers during the year, the Directors obtained two valuations of the Meadowhall Road site from independent chartered surveyors, Lambert Smith Hampton and Knight Frank, which indicated that no impairment of this asset was required.

The Group tests annually for impairment, under IAS 36, or more frequently if there are indicators that intangible or tangible fixed assets might be impaired. The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations, using a three-year forecast, approved by management and the Board of Directors, and applying a pre-tax discount rate of 18.0% to both the Cylinders and Precision Machined Components divisions (2021: post-tax discount rate of 11.0% / pre-tax discount rate of 13.9%).

The FY22 impairment assessment has been undertaken based on the forecast future cash flows, taking into account the firm order book, sales pipeline, market opportunities, together with expected gross margin performance, and consideration of administration costs, planned capital expenditure and estimated working capital movements. A long-term growth rate of 1.9% has been incorporated into the perpetuity calculation at the end of year three.

Management's key assumptions are based on their past experience, future expectations, risks and opportunities in its markets over the longer term. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. After applying sensitivity analysis in respect of the future cash flows, in particular for an increase in discount rate from 18.0% to 22.0%, management believes that there is no reasonably possible change in discount rate that would drive an impairment in the PMC division.

For the PMC division, after applying a sensitivity analysis where medium-term revenue growth reduced to 10% growth indicated by wider market data, an impairment of £555k would occur. Management are confident in a strong order book, but nonetheless recognise that the VIU calculation is predicated on continuing the recent trend of strong revenue growth.

For the CSC division, there are no reasonably possible changes in assumptions or combinations of assumptions that would result in an impairment. As such, management have not included any sensitivity disclosures for this division.

Management are not aware of any other matters that would necessitate changes to its key estimates.

15. Asset held for sale

	2022	2021
	£'000	£'000
Property for sale	**-**	195

The Group closed its operations at Quadscot Precision Engineers Limited, part of the Precision Machined Components division, in June 2020 and put the properties from which it operated up for sale. During the period the remaining property, which was held as an asset held for sale as at 2 October 2021, was sold in December 2021 and proceeds of £200,000 were received.

16. Subsidiaries

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in Note 4 to the parent company's separate financial statements on page 100.

Al-Met Limited, Martract Limited, Quadscot Holdings Limited, Quadscot Precision Engineers Limited and Roota Engineering Limited are exempt from the requirement of the Companies Act relating to the audit of individual financial statements by virtue of s479A of the Companies Act 2006.

Notes to the consolidated financial statements (continued)

17. Inventories

	2022 £'000	Restated 2021 £'000
Raw materials and consumables	**2,611**	2,375
Work in progress	**1,938**	1,303
Finished goods	**17**	30
	4,566	3,708

Inventories are stated net of provisions of £339,000 (2021: £846,000).

The write off of inventory recognised in the comprehensive income statement in the year was £121,000 (2021: £240,000), which was treated as an exceptional administration cost (see Note 6). In addition, during the year the Group reversed a £91,000 prior period obsolete inventory provision due to the sale of related stock during this period. The amount reversed has been included as a credit within other exceptional administration costs (see Note 6).

A restatement of the value of Raw materials and Work in progress as at 2 October 2021 has been undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 2).

18. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	**4,593**	4,224
Allowance for expected credit losses	**-**	(17)
Contract assets	**3,451**	3,609
Other receivables	**233**	313
Prepayments and accrued income	**1,054**	932
	9,331	9,061

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 23 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. The above comparative for impairment provisions applies IFRS 9, which is an expected loss model.

Credit Losses	**£'000**
At 3 October 2020	(197)
Increase in loan loss allowance recognised in profit or loss during the period	(9)
Unused amount reversed	189
At 2 October 2021	(17)
Receivables written off during the period as uncollectable	17
At 1 October 2022	**-**

Notes to the consolidated financial statements (continued)

19. Trade and other payables

	2022	2021
	£'000	£'000
Amounts due within 12 months		
Trade payables	**5,423**	1,990
Contract liabilities	**513**	237
Other tax and social security	**1,401**	685
Accruals and other payables	**1,685**	1,918
Deferred income	**455**	644
Total due within 12 months	**9,477**	5,474

	2022	2021
	£'000	£'000
Amounts due after 12 months		
Accruals and other payables	**-**	140
Deferred income	**32**	101
Total due after 12 months	**32**	241

With the exception of a portion of deferred income, all amounts are short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation of fair value.

Deferred income due after 12 months relates to grant income received. Grant income is measured under IAS 20 and the accounting treatment is based on using the accruals method. The grant relates to monies received from the Welsh Development Agency towards a machine purchase and will be released through to April 2030. There are no unfulfilled conditions or other contingencies attached to the grants.

20. Borrowings

	2022	2021
	£'000	£'000
Current		
Revolving credit facility	**2,407**	4,773

During the period, the bank loans drawn under the Revolving Credit Facility (RCF) had an average annual interest rate of 2% above SONIA.

On 21 October 2022, the Group's Revolving Credit Facility (RCF) was amended and its facility term was extended from September 2023 to March 2024, with the facility reducing from £2.4 million to £1.9 million in March 2023 and then £0.9 million in September 2023. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, recommenced on the first testing date of 30 September 2022 through to the end of the facility. The September 2022 test period was waived. The December 2022 test period was deferred until January 2023 and subsequently waived. The covenants as at March and June 2023 have been amended to reflect the impact of the IFRS 15 contract accounting restatement – see Note 2.

Notes to the consolidated financial statements (continued)

20. Borrowings (continued)

The Group's RCF was drawn at £2.4 million at 1 October 2022 (2 October 2021: £4.8 million). These bank borrowings are secured on the property, plant and equipment of the Group (see Note 14) by way of a debenture. Obligations under finance leases are secured on the plant and machinery assets to which they relate.

The carrying amount of other bank borrowings is considered to be a reasonable approximation of fair value. The carrying amounts of the Group's borrowings are all denominated in GBP.

The maturity profile of borrowing facilities are as follows:

	2022	2021
	£'000	£'000
Due for settlement within one year:		
Revolving credit facility	**2,407**	4,773

The Group has the following undrawn borrowing facilities at the year end:

	2022	2021
	£'000	£'000
Expiring within one year	**-**	1,227

Subsequent to year end, as noted above, the RCF was reduced to £2.4 million and the facility term was extended from September 2023 to March 2024.

21. Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2022	2021
	£'000	£'000
Current		
Asset finance lease liabilities	**629**	810
Right of use asset lease liabilities	**210**	300
	839	1,110
Non-current		
Asset finance lease liabilities	**735**	1,521
Right of use asset lease liabilities	**1,302**	724
	2,037	2,245

The Group has leases for certain operational factory premises and related facilities, several large items of plant and machinery equipment, an office building, a number of motor vehicles and some IT equipment. During the period, the Group completed a sale and leaseback of its freehold property occupied by Roota Engineering Limited, part of the Precision Machined Components division. The property lease liability at the end of the period was £837,000.

For right of use assets, with the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 14). Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security.

Notes to the consolidated financial statements (continued)

21. Lease Liabilities (continued)

For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 1 October 2022 were as follows:

	Within one year £'000	**Over one to five years £'000**	**Total £'000**
1 October 2022			
Lease payments	963	2,512	3,475
Finance costs	(124)	(475)	(599)
Net present value	**839**	**2,037**	**2,876**

	Within one year £'000	Over one to five years £'000	Total £'000
2 October 2021			
Lease payments	1,225	2,419	3,644
Finance costs	(115)	(174)	(289)
Net present value	1,110	2,245	3,355

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

22. Contract balances

	2022 £'000	2021 £'000
Contract assets (Note 18)	**3,451**	3,609
Contract liabilities (Note 19)	**(513)**	(237)
Net balance sheet position for ongoing contracts	**2,938**	3,372

Notes to the consolidated financial statements (continued)

22. Contract balances (continued)

Release of contract liabilities and deferred income	2022 £'000	2021 £'000
Contract revenue recognised through release of contract liabilities and deferred income	**835**	1,336

The contract position will change according to the number or size of contracts in progress at the year-end as well as the status of payment milestones towards those contracts. The Group will continue to structure payment milestones in order to cover the up-front costs of materials for cash flow purposes. The variance between these and the performance obligations for revenue recognition under IFRS 15 (typically acceptance of the product by the customer for all standard products), will cause increasing values to remain in deferred income for longer. The contract asset has decreased compared to the prior year as historical contracts accounted for under IFRS 15 have met performance obligations that were invoiced during the current period.

23. Financial instruments

Financial assets and liabilities recorded or disclosed at fair value in the consolidated statements of financial position are categorised based on the level of judgement associated with inputs used to measure the fair value.

The following fair value hierarchy reflects the significance of inputs of valuation techniques used in making fair value measurements and/or disclosures:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to one fair value measurement. No transfers in either direction have been made between the levels of fair value hierarchy during the period to 1 October 2022.

The Group held the following categories of financial instruments:

	2022 Total £'000	2021 Total £'000
Financial assets - amortised cost		
- Trade receivables	**4,593**	4,207
- Other receivables	**1,287**	1,245
- Cash and cash equivalents	**1,783**	3,217
	7,663	8,669

Notes to the consolidated financial statements (continued)

23. Financial instruments (continued)

	2022 Total £'000	2021 Total £'000
Financial liabilities - amortised cost		
- Trade payables	**5,423**	1,990
- Accruals and other payables	**1,685**	1,705
- Borrowings	**2,407**	4,773
- Lease Liabilities	**2,876**	3,355
	12,391	11,823

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

	Current within 6 months £'000	**Current 6 to 12 months £'000**	**Non-current 1 to 5 years £'000**	**Total net payable £'000**
2022				
Trade and other payables	**7,106**	**-**	**-**	**7,106**
Bank borrowings	**581**	**1,064**	**937**	**2,582**
Amounts due under lease liabilities	**482**	**481**	**2,512**	**3,475**
	8,169	**1,545**	**3,449**	**13,163**

	Current within 6 months £'000	Current 6 to 12 months £'000	Non-current 1 to 5 years £'000	Total net payable £'000
2021				
Trade and other payables	3,556	-	140	3,696
Bank borrowings	860	4,540	-	5,400
Amounts due under lease liabilities	610	614	2,460	3,684
	5,026	5,154	2,600	12,780

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

Notes to the consolidated financial statements (continued)

23. Financial instruments (continued)

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

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

	Financial assets		**Financial liabilities**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Euro	**1,257**	242	**2,468**	3
US Dollar	**236**	122	**387**	44
Canadian Dollar	**2**	2	**-**	-
New Zealand Dollar	**-**	1	**-**	-
	1,495	367	**2,855**	47

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

	Euro currency impact		**US Dollar currency impact**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Profit or loss impact	**(110)**	22	**(14)**	7

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

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

Interest rate risk management
If interest rates had been 0.5% higher/lower and all other variables were held constant, the impact on the results in the consolidated statement of comprehensive income and equity would be a decrease/increase of £8,000 (2021: £2,000).

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

Credit risk management
The Group's credit risk is primarily attributable to its trade receivables. At 1 October 2022 the largest customer within trade receivables accounted for 12% (2021: 26%) of debtors. Management continually monitors this dependence on the largest customers and are continuing to seek new customers and enter new markets to reduce this dependence. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The Group's management estimate the level of allowances required for doubtful debts based on prior experience and their assessment of the current economic environment. The Group's maximum exposure to credit risk is limited to the carrying value of financial assets recognised at the period end. The credit risk on liquid funds is minimised by using counterparty banks with high credit-ratings assigned by international credit-rating agencies.

23. Financial instruments (continued)

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

On 21 October 2022, the Group's Revolving Credit Facility (RCF) was amended and its facility term was extended from September 2023 to March 2024, with the facility reducing from £2.4 million to £1.9 million in March 2023 and then £0.9 million in September 2023. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, recommenced on the first testing date of 30 September 2022 through to the end of the facility. The September 2022 test period was waived. The December 2022 test period was deferred until January 2023 and subsequently waived. The covenants as at March and June 2023 have been amended to reflect the impact of the IFRS 15 contract accounting restatement - see Note 2.
Capital risk management
Pressure Technologies plc's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders through the payment of dividends.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, leases disclosed in Note 21 and cash and cash equivalents disclosed in Note 29 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

	2022 **£'000**	Restated 2021 £'000
Debt - Revolving credit facility	**(2,407)**	(4,773)
Debt - Asset finance leases	**(1,364)**	(2,331)
Debt - Right of use asset leases	**(1,512)**	(1,024)
Cash and cash equivalents	**1,783**	3,217
Net debt	**(3,500)**	(4,911)
Equity	**12,103**	16,023

Debt is defined as long and short-term borrowings, as detailed in Notes 21 and 22. Net debt is debt less cash and cash equivalents, as detailed in Note 29. Equity includes all capital and reserves of the Group attributable to equity holders of the parent. Subsequent to the year end, on 6 December 2022, 7,600,000 new ordinary shares were issued as part of a fundraising which raised cash proceeds, net of expenses, of approximately £2.1 million.

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

Notes to the consolidated financial statements (continued)

24. Deferred tax

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

	Accelerated tax depreciation £'000	Short-term temporary differences £'000	Share option costs £'000	Unused losses £'000	Total £'000
At 3 October 2020	(689)	64	159	178	(288)
Prior year adjustment	(132)	-	-	69	(63)
Credit/(charge) to income	(162)	(3)	84	502	421
At 2 October 2021	(983)	61	243	749	70
Prior year adjustment	**186**	**-**	**(243)**	**(547)**	**(604)**
Credit/(charge) to income	**94**	**(16)**	**-**	**416**	**494**
At 1 October 2022	**(703)**	**45**	**-**	**618**	**(40)**

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

	2022 £'000	2021 £'000
Non-current asset		
Deferred tax asset	**663**	1,138
Non-current liabilities		
Deferred tax liabilities	**(703)**	(1,068)
	(40)	70

The deferred tax asset is expected to be recoverable against future profits generated by the Group. The Group has unused tax losses of £8,111,000.

25. Called up share capital

	2022 No.	2021 No.	**2022 £'000**	2021 £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	**31,067,163**	31,067,163	**1,553**	1,553

Subsequent to the year end, on 6 December 2022, 7,600,000 new ordinary shares with a nominal value of 5p each, were issued as part of a fundraising which raised cash proceeds, net of expenses, of approximately £2.1 million. Of that total, £1.7 million was allocated to the share premium account.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Notes to the consolidated financial statements (continued)

26. Share based payments

Save-As-You-Earn (SAYE) Scheme
Pressure Technologies plc introduced a share option scheme for all employees of the Group in November 2007. A thirteenth grant of options was made in August 2022. The scheme rules were reviewed and updated in 2017 as required by HMRC. If the options remain unexercised after a period of 3 years and 6 months from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest and are treated as cancelled if the employee chooses to stop contributing. The cancellation of equity settled share based payments is accounted for as an acceleration of vesting and is therefore recognised immediately in the statement of comprehensive income. Members of the scheme are required to remain employees of the Group and make regular contributions.

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

	2022 No.	**Weighted average exercise price**	2021 No.	Weighted average exercise price
Outstanding at the beginning of the period	**811,882**	**75.1p**	808,913	75.2p
Granted during the period	**281,733**	**60.4p**	190,124	76.0p
Forfeited during the period	**(33,653)**	**72.7p**	(106,912)	72.6p
Cancelled during the period	**(189,584)**	**70.7p**	(80,243)	81.4p
Expired during the period	**(127,390)**	**97.6p**	-	-
Outstanding at the end of the period	**742,988**	**66.9p**	811,882	75.1p

30,661 (2021: 127,390) of the outstanding options as at 1 October 2022 were exercisable at the end of the period. The options outstanding at 1 October 2022 had a weighted average remaining contractual life of 1.8 years (2021: 1.7 years). The terms of these options are as follows:

Date of grant	**Options outstanding at 1 October 2022**	**Vesting period**	**Market value at date of grant (p)**	**Exercise price (p)**	**Exercise period**
15 July 2019	30,661	3 years	119.0	99.2	6 months
24 July 2020	307,018	3 years	96.0	66.0	6 months
30 July 2021	123,576	3 years	93.8	76.0	6 months
29 August 2022	281,733	3 years	73.0	60.4	6 months
Total options outstanding at 1 October 2022	**742,988**				

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

Notes to the consolidated financial statements (continued)

26. Share based payments (continued)

Long-Term Incentive Plan (LTIP) - 2021 Value Creation Scheme

During the course of the year, a new LTIP, the 2021 Value Creation Scheme, was introduced. The first awards under this scheme were made in January 2022. This scheme is described in the Report of the Remuneration Committee.

Valuation Models

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

Date granted	29 August 2022
Share price at date of offer	73.0p
Exercise price	60.4p
Expected volatility	44%
Expected life	3 years
Risk free rate	2.7%
Expected dividend yield	0.0%
Fair value	£81,703

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

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

The total charge to the consolidated statement of comprehensive income in the period in respect of share based payments was £122,000 (2021: £132,000). The charge is calculated in accordance with IFRS2, ‘Share Based Payments’. A deferred tax charge of £243,000 (2021: credit of £25,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

Notes to the consolidated financial statements (continued)

27. Consolidated cash flow statement

	2022 £'000	Restated 2021 £'000
Loss after tax	**(4,037)**	(4,204)
Adjustments for:		
Finance costs	**292**	412
Depreciation of property, plant and equipment	**1,678**	1,655
Amortisation of intangible assets	**101**	224
Share option costs	**122**	132
Release of grants	**(66)**	(40)
Income tax charge/(credit)	**52**	(772)
(Profit)/loss on disposal of property, plant and equipment	**(327)**	78
Impairment	**-**	1,484
Changes in working capital:		
(Increase)/decrease in inventories	**(859)**	1,268
Increase in trade and other receivables	**(269)**	(1,995)
Increase/(decrease) in trade and other payables	**4,132**	(4,408)
Cash inflows/(outflows) from operating activities	**819**	(6,166)

A restatement of the loss after tax for the year ended 2 October 2021 and of Raw materials and Work in progress as at 2 October 2021 has been undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 2). This restatement had no net impact on the cash outflow for the year ended 2 October 2021.

28. Net Debt Reconciliation

	Borrowings £'000	Leases £'000	Cash & Bank £'000	Total £'000
Cost				
At 3 October 2020	(6,773)	(4,052)	3,416	(7,409)
Cash flows	-	-	(199)	(199)
Repayments	2,000	1,805	-	3,805
New facilities - asset finance leases	-	(934)	-	(934)
New facilities - right of use leases	-	(174)	-	(174)
At 2 October 2021	(4,773)	(3,355)	3,217	(4,911)
Cash flows	-	-	(1,434)	(1,434)
Repayments	2,366	1,260	-	3,626
New facilities - right of use leases	-	(1,025)	-	(1,025)
Surrender – right of use leases	-	244	-	244
At 1 October 2022	**(2,407)**	**(2,876)**	**1,783**	**(3,500)**

Notes to the consolidated financial statements (continued)

29. Cash and cash equivalents

	2022 **£'000**	2021 £'000
Cash at bank and in hand	**1,783**	3,217

30. Financial commitments

Pension commitments
As at 1 October 2022 pension contributions of £2,000 (2021: £23,000) due in respect of the current year had not been paid over to the scheme. These were paid over in the following month and within statutory deadlines.

31. Related party transactions

Key management personnel are considered to be the Executive and Non-Executive Directors of the Group. Details of their remuneration is set out in note 8.

During the period ended 1 October 2022, Pressure Technologies incurred costs of £nil (2021: £12,500) with R.A.G. Associates Limited with whom one of the former Non-Executive Directors, Sir Roy Gardner, is a connected person. £nil was outstanding to be paid as at 1 October 2022 (2021: £nil). The transactions were made on an arm's length basis.

32. Subsequent events

On 21 October 2022, the Group's Revolving Credit Facility (RCF) was amended and its facility term was extended from September 2023 to March 2024, with the facility reducing from £2.4 million to £1.9 million in March 2023 and then £0.9 million in September 2023. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, recommenced on the first testing date of 30 September 2022 through to the end of the facility. The September 2022 test period was waived. The December 2022 test period was deferred until January 2023 and subsequently waived. The covenants as at March and June 2023 have been amended to reflect the impact of the IFRS 15 contract accounting restatement. See Note 2.

On 15 November 2022, the Group announced that it was exploring longer term opportunities which included potentially divesting the Precision Machined Components division, to strengthen the Group's balance sheet and cash position and support the strategic investment in the Cylinders division.

On 6 December 2022, 7,600,000 new ordinary shares with a nominal value of 5p each, were issued as part of a fundraising which raised cash proceeds, net of expenses, of approximately £2.1 million. Of that total, £1.7 million was allocated to the share premium account.

On 6 February 2023, the Group announced the major contract placement by a major UK naval customer for pressure vessel manufacturing for a new construction project. Worth £18.2 million, this contract is the largest ever awarded to CSC. Progress has commenced against early contract milestones and pressure vessels will be delivered to the customer over the next three years.

Company statement of financial position

As at 1 October 2022

	Notes	**1 October 2022 £'000**	2 October 2021 £'000
Non-current assets			
Investments	4	**5,770**	5,770
Intangible assets	5	**-**	81
Property, plant and equipment	6	**2,769**	3,148
Deferred tax asset	13	**212**	142
		8,751	9,141
Current assets			
Receivables	7	**3,944**	5,352
Cash at bank and in hand		**14**	1,436
		3,958	6,788
Creditors: amounts falling due within one year			
Trade and other payables	8	**(2,333)**	(585)
Borrowings - revolving credit facility	9	**(2,407)**	(4,773)
Lease liabilities	10	**(28)**	(152)
Net current (liabilities)/assets		**(810)**	1,278
Creditors: amounts falling due after more than one year			
Lease liabilities	10	**(15)**	(259)
Net assets		**7,926**	10,160
Capital and reserves			
Called up share capital	12	**1,553**	1,553
Profit and loss account	17	**6,373**	8,607
Equity shareholders' funds		**7,926**	10,160

The Company reported a loss for the 52 week period ended 1 October 2022 of £2,257,000 (2021: loss of £3,599,000).

The accounting policies and notes on pages 95-105 form part of these financial statements.

Approved by the Board on 22 May 2023 and signed on its behalf by:

Chris Walters
Director

Company statement of changes in equity

For the 52 week period ended 1 October 2022

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 3 October 2020	930	26,172	(20,405)	6,697
Share based payments	-	-	38	38
Shares issued	623	6,401	-	7,024
Capital reduction transfer	-	(32,573)	32,573	-
Transactions with owners	623	(26,172)	32,611	7,062
Loss for the period	-	-	(3,599)	(3,599)
Balance at 2 October 2021	1,553	-	8,607	10,160
Share based payments	-	-	23	23
Transactions with owners	-	-	23	23
Loss for the period	-	-	(2,257)	(2,257)
Balance at 1 October 2022	**1,553**	**-**	**6,373**	**7,926**

The accounting policies and notes on pages 95-105 form part of these financial statements.

Notes to the Company financial statements

1. Accounting policies

Statement of compliance

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

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the financial year dealt within the financial statements of the Company was £2,257,000 (2021: £3,599,000 loss) after applying a tax credit (Note 11) of £70,000 (2021: £49,000 credit) to the loss before tax of £2,327,000 (2021: £3,648,000 loss).

Going concern

The Company from a going concern perspective is inextricably linked to the Group. As explained in the Accounting Policies section to the consolidated financial statements, the directors have concluded that it is appropriate to prepare the Consolidated financial statements on a going concern basis, albeit noting a material uncertainty in respect of possible delays in a large UK naval contract. This conclusion also applies to the preparation of the Company's financial statements for the reasons set out in that section.

Disclosure exemptions adopted

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

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

New Standards adopted in 2022

No new standards were applied during the year.

Investments

Investments in subsidiary undertakings are stated at cost less any applicable provision for impairment. Contingent consideration classified as an asset or liability is subsequently re-measured through profit or loss.

Intangible assets

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

The following useful lives are applied:

IT systems & Software – 3-5 years

Property, plant and equipment

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

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

Notes to the Company financial statements (continued)

1. Accounting policies (continued)

The following useful lives are applied:

Plant and machinery	3-15 years
Buildings	50 years

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

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

Financial Assets

The Company classifies its financial assets at amortised cost.

Financial Liabilities

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs involved. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as creditors: amounts falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year.

Leased assets

The Company as a lessee
For any new contracts entered into, the Company considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

1. Accounting policies (continued)

Measurement and recognition of leases as a lessee
At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in as a separate line item, 'Lease liabilities'.

Post-employment benefit plans

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

Share based payments

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

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

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

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

Equity, reserves and dividend payments

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

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

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

Notes to the Company financial statements (continued)

1. Accounting policies (continued)

Income taxes

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

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

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

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

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

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

- on the initial recognition of a transaction that is not a business combination and at the time of the transaction affects neither the accounting nor taxable profit.

Deferred tax liabilities are not discounted.

Critical accounting judgements

Impairment reviews – freehold land and buildings
Land and buildings include an Investment property relating to the Meadowhall Road, Sheffield site, which is leased to other Group companies. As part of discussions with the Company's bankers during the year, the Directors obtained a valuation of the Meadowhall Road site from an independent chartered surveyor, Lambert Smith Hampton, which indicated that no impairment was required. The Directors are satisfied it is comparable with market value. See Note 6.

Impairment reviews – investment in subsidiaries
The Company has acquired, through business combinations and through other acquisitions, and therefore holds investments in all its subsidiaries. At each reporting period date, the Directors review the likelihood of indefinite life assets generating income, the period over which this is likely to be achieved and the potential income that can be generated. Where it is probable the future recoverable amount will be in excess of capitalised costs the assets are held within the balance sheet at cost. Where this is not the case, an impairment charge will be recorded to adjust the investment held value to its recoverable amount. See Note 4.

Notes to the Company financial statements (continued)

2. Employees

Average weekly number of employees, including Executive Directors:

	2022 Number	2021 Number
Administration	**15**	12

Staff costs, including Directors:

	2022 £'000	2021 £'000
Wages and salaries	**1,273**	1,038
Social security costs	**142**	143
Other pension costs	**149**	97
Share based payments	**23**	38
	1,587	1,316

Further details of Directors' remuneration are provided in the Report of the Remuneration Committee and Note 9 to the consolidated financial statements.

3. Operating loss

The auditor's remuneration for audit and other services is disclosed in Note 7 to the consolidated financial statements. Of the total group audit fee for the period, £202,000 was allocated to the Company.

4. Investments

	Investment in subsidiaries
Cost	**£'000**
At 2 October 2021 and 1 October 2022	**32,918**
Amortisation and Impairment	
At 2 October 2021 and 1 October 2022	**(27,148)**
Net book value	
At 1 October 2022	**5,770**
At 2 October 2021	5,770

Notes to the Company financial statements (continued)

4. Investments in subsidiary companies (continued)

The Company tests annually for impairment, or more frequently if there are indicators that the carrying value of investment in subsidiary companies might be impaired. The impairment review is described on page 79 in the consolidated financial statements. This review indicated that no impairment was required in respect of the Company's investment in Chesterfield Special Cylinders Limited that includes the operations of the Cylinders division. For the holding company, PT Precision Machined Components Limited, which owns the subsidiary companies that comprise the operations of the Precision Machined Components division, after applying a sensitivity analysis where medium-term revenue growth reduced to 10% growth indicated by wider market data, an impairment £1.1m would occur. Management are not aware of any other matters that would necessitate changes to its key estimates. The recoverable amount of the Cylinders and Precision Machined Components divisions are stated at the value in use.

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

Name	**Country of incorporation**	**Principal activity**
Al-Met Limited*	England & Wales	Manufacturing
Chesterfield Special Cylinders Limited (“CSC”)	England & Wales	Manufacturing
CSC Deutschland GmbH*	Germany	Sales and marketing
Chesterfield Special Cylinders Inc (formerly Hydratron Inc)*	USA	Manufacturing
Roota Engineering Limited*	England & Wales	Manufacturing
Quadscot Precision Engineers Limited*	Scotland	Manufacturing
Quadscot Holdings Limited*	Scotland	Holding company
Chesterfield Tube Company Limited	England & Wales	Dormant
Chesterfield Pressure Systems Group Limited	England & Wales	Dormant
Chesterfield Cylinders Limited	England & Wales	Dormant
Martract Limited*	England & Wales	Manufacturing
PT Precision Machined Components Limited	England & Wales	Holding company
Precision Machined Components Limited	England & Wales	Dormant

*Indirectly held subsidiaries

Quadscot Precision Engineers Limited and Quadscot Holdings Limited have their registered office at the following address:

C/O Blackadders LLP, 53 Bothwell Street, Glasgow, G2 6TS

All other UK based subsidiaries have as their registered office the following address:

Pressure Technologies Building, Meadowhall Road, Sheffield, S9 1BT.

Al-Met Limited, Martract Limited, Quadscot Holdings Limited, Quadscot Precision Engineers Limited and Roota Engineering Limited are exempt from the requirement of the Companies Act relating to the audit of individual financial statements by virtue of s479A of the Companies Act 2006.

Notes to the Company financial statements (continued)

5. Intangible assets

	IT systems & Software £'000
Cost	
At 2 October 2021	411
Disposal	(7)
At 1 October 2022	**404**
Amortisation	
At 2 October 2021	330
Charge for the period	74
At 2 October 2022	**404**
Net book value	
At 1 October 2022	**-**
At 2 October 2021	81

6. Property, plant and equipment

	Land and Buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 2 October 2021	3,851	875	4,726
Additions - right of use assets	-	11	11
Additions	-	36	36
Disposals	(481)	(436)	(917)
At 1 October 2022	**3,370**	**486**	**3,856**
Depreciation			
At 2 October 2021	913	665	1,578
Charge for the period	106	94	200
Disposals	(275)	(416)	(691)
At 1 October 2022	**744**	**343**	**1,087**
Net book value			
At 1 October 2022	**2,626**	**143**	**2,769**
At 2 October 2021	3,046	102	3,148
Leased assets			
Carrying value at 1 October 2022	**-**	**43**	**43**
Carrying value at 2 October 2021	298	85	383

Notes to the Company financial statements (continued)

6. Property, plant and equipment (continued)

On 11 August 2022, the Company surrendered the final lease on the non-operational factory premise previously used by Hydratron Limited and the right of use asset and associated lease liability have been disposed of.

Land and buildings include an Investment property relating to the Meadowhall Road, Sheffield site, which is leased to other Group companies. As part of discussions with the Company's bankers during the year, the Directors obtained two valuations from independent chartered surveyors, Lambert Smith Hampton and Knight Frank, of the Meadowhall Road site which indicated that no impairment was required. The Directors are satisfied it is comparable with market value. The original cost of the land and buildings was £3.4 million, which is currently held at a carrying value of £2.7 million following an impairment charge of £0.7 million made in the period to 2 October 2021.

7. Receivables

	2022	2021
	£'000	£'000
Prepayments	**116**	224
Other debtors	**135**	137
Amounts owed by Group companies	**3,693**	4,991
	3,944	5,352

8. Trade and other payables

	2022	2021
	£'000	£'000
Trade creditors	**323**	215
Other tax and social security	**136**	50
Accruals	**146**	221
Amounts owed to Group companies	**1,728**	99
	2,333	585

Amounts owed by group undertakings are charged nil interest and are repayable on demand.

9. Borrowings

	2022	2021
	£'000	£'000
Amounts: falling due within one year		
Revolving credit facility	**2,407**	4,773

Details of bank borrowings are set out in Note 20 to the consolidated financial statements. All of the Company's assets are subject to fixed and floating charges as part of the Group's cross-guarantee agreement with Lloyds Bank plc. At 1 October 2022 the amount thus guaranteed by the company was £nil (2021: £nil).

Notes to the Company financial statements (continued)

10. Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2022 £'000	2021 £'000
Current		
Asset finance lease liabilities	**-**	1
Right of use asset lease liabilities	**28**	151
	28	152
Non-current		
Right of use asset lease liabilities	**15**	259
	15	259

During the year, The Company surrendered the lease on the non-operational factory premise previously used by Hydratron Limited and the lease liability and associated right of use asset have been disposed of. As at the end of the year, leases were held for a number of motor vehicles and some IT equipment.

For right of use assets, with the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 6). Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security.

For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 1 October 2022 were as follows:

	Within one year £'000	**Over one to five years £'000**	**Total £'000**
1 October 2022			
Lease payments	30	16	46
Finance costs	(2)	(1)	(3)
Net present value	**28**	**15**	**43**

	Within one year £'000	Over one to five years £'000	Total £'000
2 October 2021			
Lease payments	170	316	486
Finance costs	(18)	(57)	(75)
Net present value	152	259	411

Notes to the Company financial statements (continued)

11. Taxation

	2022 £'000	2021 £'000
Deferred tax		
Origination and reversal of temporary differences	**(424)**	(42)
Under provision in respect of prior year	**354**	27
Change in deferred tax rate	**-**	(34)
Total taxation credit	**(70)**	(49)

An increase in the UK corporation tax rate to 25% was substantively enacted in May 2021 and is due to take effect from 1 April 2023. As the most significant timing differences are not expected to unwind until 2023 or later, the deferred tax rate was maintained at 25% in the period.

12. Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in Note 26 to the consolidated financial statements.

Subsequent to the year end, on 6 December 2022, 7,600,000 new ordinary shares with a nominal value of 5p each, were issued as part of a fundraising which raised cash proceeds, net of expenses, of approximately £2.1 million. Of that total, £1.7 million was allocated to the share premium account.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

13. Deferred tax

	2022 £'000	2021 £'000
Opening deferred tax asset	**142**	93
Credit for the period	**70**	49
Closing deferred tax asset	**212**	142

The deferred tax asset is made up as follows:

	2022 £'000	2021 £'000
Cost of share options	**-**	85
Accelerated capital allowances	**(30)**	(24)
Unutilised losses	**243**	79
Other temporary differences	**(1)**	2
	212	142

14. Related party transactions

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

For details on other related party transactions, see Note 31 in the consolidated financial statements.

Notes to the Company financial statements (continued)

15. Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

16. Subsequent events

On 21 October 2022, the Company's Revolving Credit Facility (RCF) was amended and its facility term was extended from September 2023 to March 2024, with the facility reducing from £2.4 million to £1.9 million in March 2023 and then £0.9 million in September 2023. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, recommenced on the first testing date of 30 September 2022 through to the end of the facility. The September 2022 test period was waived. The December 2022 test period was deferred until January 2023 and subsequently waived.

On 15 November 2022, the Company announced that it was exploring longer term opportunities which included potentially divesting the Precision Machined Components division, to strengthen the Group’s balance sheet and cash position and support the strategic investment in the Cylinders division.

On 6 December 2022, 7,600,000 new ordinary shares with a nominal value of 5p each, were issued as part of a fundraising which raised cash proceeds, net of expenses, of approximately £2.1 million. Of that total, £1.7 million was allocated to the share premium account.

On 6 February 2023, the Company announced the major contract placement to one of the Company’s subsidiaries by a major UK naval customer for pressure vessel manufacturing for a new construction project. Worth £18.2 million, this contract is the largest ever awarded to a Group company. Progress has commenced against early contract milestones and pressure vessels will be delivered to the customer over the next three years.

17. Reserves

The profit and loss account includes retained profits and losses for all current and prior periods.

Pressure Technologies

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