Pressure Technologies plc

Annual Report & Financial Statements

Period ended 30 September 2023

Contents of the Annual Report and Financial Statements

	Page
Company information	2
Chair's statement	3-4
Strategic report	5-24
• Overview	5
• Our vision and strategy	6
• Markets	7-8
• Business and financial review	9-14
• Key performance indicators	15
• Section 172 statement	16-18
• Principal risks	19-23
• Approval of the strategic report	24
Governance statement	25-27
Remuneration Committee report	28-31
Directors' report	32-35
Audit and Risk Committee report	36-39
Independent Auditor's report to the members of Pressure Technologies plc	40-44
Consolidated statement of comprehensive income	45
Consolidated statement of financial position	46
Consolidated statement of changes in equity	47
Consolidated statement of cash flows	48
Accounting policies	49-58
Notes to the consolidated financial statements	59-85
Company statement of financial position	86
Company statement of changes in equity	87
Notes to the company financial statements	88-98

Company information

Directors	N.R. Salmon - Non-Executive Chair C.L. Walters - Chief Executive S.J. Hammell - Chief Financial Officer T.J. Cooper - Senior Independent Non-Executive Director M.G. Butterworth - Independent Non-Executive Director R.A. Staveley - Independent Non-Executive Director
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Chair’s statement

Pressure Technologies plc (the “Company”) and its subsidiaries (together “the Group”) are globally recognised as a leading provider of safety-critical pressure containment and control products and services to customers in the defence, energy and industrials sectors who operate in highly demanding environments. The operating divisions of the Group are Chesterfield Special Cylinders (“CSC”) and Precision Machined Components (“PMC”). This Annual Report & Financial Statements cover the financial year ended 30 September 2023 (“FY23”).

FY23 has been a year of significant progress for the Group. Market conditions and order intake have improved considerably, we have made significant operational improvements, facilitating a return to profitability in both divisions, and we have reduced our debt levels and restructured our financing. This provides a solid foundation to deliver on our strategic priorities in the year ahead.

I am pleased to report that in FY23 we won new orders of £43.0 million (FY22: £24.6 million), an increase of 75%. On 6 February 2023, we announced the award of a £18.2 million major defence contract, propelling CSC order intake in FY23 to £24.6 million (FY22: £15.7 million). Moreover, PMC order intake was £18.4 million (FY22: £8.9 million), an increase of over 100%, accelerating from March 2023 when we won a record £3.0 million order from an established international OEM customer for the supply of flow control components and sub-assemblies. The OEM customers of PMC 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. The order book of the Group at the end of the year was £20.7 million (FY22: £10.4 million), positioning the Group well for FY24.

The Group delivered much improved financial performance in FY23. Group revenue was £32.0 million (FY22: £24.9 million), facilitating a return to profitability with Adjusted EBITDA of £2.1 million (FY22: Adjusted EBITDA loss of £0.9 million; Adjusted EBITDA is defined as earnings / loss before interest, tax, depreciation, amortisation and exceptional costs). The turnaround in performance started in the first-half of the year and accelerated in the final quarter as the full benefits of our investments in operational efficiency and continuous improvement in our manufacturing facilities were realised.

CSC performed very strongly in FY23, reporting revenue of £20.7 million (FY22: £17.6 million) and Adjusted EBITDA of £3.9 million (FY22: £1.1 million), delivering an operating margin of 19%. The rapid improvement in profitability was driven by the major defence contract won in the year which continues to provide order cover into 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.

CSC is also 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 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 hopeful of securing several contracts during FY24 and remain positive about our prospects 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. The announcement by UK Government in December 2023 of £90 million of funding for 11 new hydrogen projects as part of the first Hydrogen Allocation Round is a positive development providing opportunities for CSC over the next 2 years.

PMC delivered a significant turnaround in performance in FY23, reporting revenue of £11.3 million (FY22: £7.3 million) and Adjusted EBITDA of £0.1 million (FY22: Adjusted EBITDA loss of £0.3 million), achieving a return to full-year profitability. The final quarter of FY23 was particularly strong, with a substantial increase in activity levels following the surge in order intake mid-way through the year. Conditions in the oil and gas market have improved further during the second-half of the year, supported by a rising oil price, such that PMC exited FY23 with an order book of £9.4 million (FY22: £3.0 million), the highest level seen in the last 5 years. The division is well placed to carry this momentum into FY24.

Having considered the current trading environment, improved outlook and positive developments being made by PMC, the Board has decided that the timing is now favourable to realise value through the divestment of the PMC division. The Group has appointed advisors to handle the sale process which was launched in December 2023. The sale process is expected to run for approximately 6 months into the third quarter FY24. The proceeds of the sale are intended to repay the new Term Loan facility and fund strategic investment opportunities at CSC to support its growth in the hydrogen energy sector.

The Group has strengthened its financing position considerably during the year. On 6 December 2022, we completed a £2.1 million equity fundraise with support from institutional and retail shareholders. The funds raised provided important flexibility and liquidity during the first half of FY23 as a bridge to stronger cash generation from major new

Chair's statement (continued)

contracts in CSC and the return to profitability in PMC, whilst supporting a debt repayment of £0.5 million to Lloyds Banking Group in March 2023. With the improvement in trading performance and cashflow delivered in the second-half of the year, a further debt repayment of £1.0 million was made on 30 September 2023, reducing the balance payable to Lloyds to £0.9 million.

Subsequent to the year-end, on 14 November 2023, the Group exited its existing Revolving Credit Facility, provided by Lloyds, by arranging a new Term Loan facility of £1.5 million with Rockwood Strategic plc and Peter Gyllenhammar AB, two of its major shareholders. The new Term Loan facility provides a financing bridge to the sale of PMC and is repayable upon a successful sale of the division. In conjunction with the provision of the new Term Loan, Rockwood and Gyllenhammar were issued with 1,933,358 warrants in aggregate (representing 5% of the issued share capital) to subscribe for ordinary shares in the Company at a price of 32 pence per share.

During the year, the Board also strengthened the Executive team. In April 2022, we welcomed Chris Webster to the Group as Chief Operating Officer. Chris has brought considerable operational experience to the business based on his 30 year career in manufacturing and has delivered positive, controlled change across all sites, improving production efficiencies, supply chain controls and project management disciplines. These operational improvement initiatives have been critical to returning the Group to profitability and improving its financial position.

On 17 January 2023, we announced the appointment of Steve Hammell as Chief Financial Officer. Steve joined the Board in May 2023 and brings considerable financial expertise to the Group based on his 25 year career in corporate finance and industry. Since arriving, he has led the appointment of new auditors, improved our forecasting procedures, driven the successful refinancing process and initiated the sale process for PMC.

I am also pleased that Richard Staveley of Rockwood Strategic plc, a major shareholder in the Company, joined the Board as a non-executive director from 23 May 2023 and played a central role in delivering the refinancing.

The Group will continue to prioritise investment in the skills and development of its people. The Board are mindful that the capabilities of CSC and PMC are dependent on building the qualifications and experience of our employees and has therefore remained committed to our apprenticeship programme, growing the skilled workers of the future. The Board also emphasises improvement in its health and safety and environmental performance, investing in safety enhancing projects. We continue to place a high premium on our technical and engineering expertise that underpins the performance of our products and services for the benefit of our customers.

With a much stronger order book, a strengthened Executive team and clear strategic priorities for the Group, we are very excited about the opportunities presented to the Group as we look into 2024.

N. Salmon

Nick Salmon
Chair
29 January 2024

Strategic report

Overview - Pressure Technologies plc

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 range of end-user applications including high-pressure systems in naval submarines and surface vessels, oxygen cylinders in fighter jets, hydrogen transport refuelling and energy storage, bulk storage of industrial gases and pressure vessels in floating oil platform motion compensation systems.

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 operations of Roota Engineering, Al-Met and Martract, 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 capability is UK based, with businesses serving a global blue chip customer base from four operational sites in Yorkshire and South Wales.

Strategic report (continued)

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 Group is well placed to take advantage of improved market conditions, its specialist skills and its reputation for quality to realise the benefits of recent investments made in its core capabilities, people, equipment and processes and its customer relationships.

Our strategy

The Group's strategy has been updated in FY23 reflecting recovery in key markets following the end of the Covid-19 pandemic.

The Board has decided that the long-term future of the Group shall be focussed on CSC and its growth and development in the hydrogen energy and global defence markets.

The transition to clean energy sources by leading global economies over the next two decades is the major geopolitical and economic theme the Board sees as the highest potential investment opportunity for the Group. Moreover, the challenges to national security and energy security highlighted by the Russia-Ukraine conflict is expected to drive long-term investment in defence capabilities in the UK and its major international allies, driving long-term demand for the Group's core products and services. These markets and their growth profiles provide positive long-term prospects for CSC.

The Board has noted the recovery in the oil and gas market which has benefitted the PMC division in FY23. Whilst the Board recognises that traditional energy markets have a key role to play in financing the transition to clean energy over the medium-term, a strategic decision has been taken that these markets will not be prioritised for long-term investment. The Board therefore announced on 24 October 2023 its decision to divest the PMC division and launched the sale process in December 2023.

The medium-term strategy of the Group can be summarised as follows:

- **Divest PMC and transition CSC: FY24**
    - Divest the PMC division during the third quarter of FY24
    - Use proceeds of sale to build balance sheet strength and repay debt facilities whilst ring-fencing funds for investment into CSC
    - Expand CSC's current focus on UK defence programmes toward the emerging hydrogen energy market
    - Develop new relationships with global defence prime contractors
    - Grow and develop Integrity Management services, including factory reconditioning and recertification services
    - Align Group functions to CSC's future growth

- **Invest and re-position CSC: FY25**
    - Invest in CSC's product offerings and manufacturing capabilities to provide the foundation for profitable growth in hydrogen energy, including competitive product development for storage and transportation solutions
    - Grow CSC revenues in hydrogen energy by expanding the existing UK project base and working in collaboration with selected partners
    - Win new major contracts with global defence prime contractors
    - Invest in the resources of the Integrity Management service and develop recurring revenue streams from retained customers

- **Accelerate growth of CSC: FY26-FY28**
    - Continue investment programme into CSC building operational resilience and new capabilities, including supply chain and project management
    - Expand hydrogen energy product and service offer into international customers
    - Win major new contract with UK defence for next major submarine programme
    - Expand global defence international customer base

Strategic report (continued)

Markets

What is happening in the markets	What this means for us
UK Defence & Global Defence	
Current defence spending continues to be driven by the response of Western nations to the Russia-Ukraine conflict and instability in the Middle East, alongside commitments within NATO to increase defence budgets. In November 2022, the UK government confirmed it will maintain the national defence budget of at least 2% of GDP. The Ministry of Defence (MoD) has re-affirmed its commitment to submarine investment with the announcement of the UK SSNR programme (replacement for Astute-class), with £4 billion committed recently to the design phase, and its participation in the AUKUS programme, utilising the SSNR design. Global defence-spending has remained resilient with a significant number of naval build programs starting and many more in the design & planning stages. The US, Australia, Canada and France remain committed to long-term investment programmes. The US Columbia-class and Virginia-class programmes are active and involve the use of UK approved supply chain.	CSC is the leading supplier of high-pressure gas storage systems to NATO members 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 discussions for future global naval contracts which could support manufacturing activity for these products to 2040 and beyond. 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.
Hydrogen Energy	
Momentum is building in this sector, driven by: • UK government's target to achieve 10GW of hydrogen production by 2030; • EU co-funding transport infrastructure projects that will form part of the TEN-T network, increasing the number of hydrogen refuelling stations in Europe; • UK and Western Europe accounting for 75% of low-emission hydrogen production in the region; • the expanding market for hydrogen transportation, which relies on compressed bulk gas trailer vehicles to move hydrogen from the point of production to the end user. However, market growth in refuelling stations and green hydrogen storage stalled temporarily in 2022/23 due to supply chain constraints with electrolysers and gas compression systems and the uncertainty caused by cost inflation challenges. In December 2023, UK Government announced the award of £90 million of funding for the construction of 11 UK hydrogen projects as part of the first Hydrogen Allocation Round (HAR1). The first projects are expected to be operational in 2025.	The pipeline of CSC has stalled during FY23 due to: • ITM Power reducing its workforce and restructuring its business; • Shell announcing 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. However, CSC is making significant progress with framework purchase agreements with new customers to support collaboration on the development of efficient and cost-effective storage solutions, enabling more effective forecasting and production planning. Demand for steel tube trailer new construction, refurbishment and recertification increased steadily during 2023 and this area is expected to grow further during 2024 due to increasing demand for bulk hydrogen transportation. CSC has developed commercial relationships with a number of the new UK projects that will receive HAR1 funding in the period to 2025 providing a pipeline of opportunities for the next two years.

Oil & Gas	
The oil and gas market is emerging from a prolonged period of under-investment and global oil inventories still remain low while crude oil prices remain elevated. The market outlook has become increasingly positive and is expected to enter a sustained cyclical upturn. The resurgence is driving increased exploration and production (E&P) spending and capital investment, which is expected to accelerate across all geographies to drive new production and capacity increases. The International Energy Agency (IEA) forecasts world oil demand in 2024 to rise from 880k to 930k barrels per day (bpd), an increase of 5.7%. Global drilling spend is expected to grow at 7% pa over the next 4 years. As a result of this resurgence, major OEMs such as Schlumberger are forecasting significant growth in short- and long-term cycle projects, both onshore and offshore, citing increased activity in Well Construction and Production Systems in offshore and international markets as key revenue drivers.	This market accounts for approximately 90% of the revenues of PMC and is also served by 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-driven demand in 2024. This has been evidenced through record order intake and order book levels at PMC in FY23. CSC has also seen recovery in the oil and gas market, with demand for motion compensation systems, spares and inspection services increasing. Demand for Integrity Management services covering diving support and offshore services vessels is also showing signs of recovery.
Industrials	
The market for bulk gas storage and transportation has a diverse customer base, including: • industrial gas majors; • higher education and scientific research bodies; • civil nuclear and conventional power plants; and • specialised applications, including space programmes.	Specialised new build opportunities for high-volume industrial gas storage are ad hoc and provide strong margin opportunities, while in-situ and factory inspection, testing and reconditioning services have been identified as a target growth area for CSC.

Strategic report (continued)

Business review

Group

FY23 has been a year of significant progress for the Group. Market conditions and order intake improved consistently as the year progressed and we made significant operational improvements, facilitating a return to trading profitability.

New order intake in FY23 was £43.0 million (FY22: £24.6 million), an increase of 75%. On 6 February 2023, we announced the award of a £18.2 million major defence contract, propelling CSC order intake in FY23 to £24.6 million (FY22: £15.7 million). Moreover, PMC order intake was £18.4 million (FY22: £8.9 million), an increase of over 100%, and has accelerated since March 2023 when we won a record £3.0 million order from an established international OEM customer.

The turnaround in financial performance started in the first-half of the year and accelerated in the final quarter as the full benefits of our investments in operational efficiency and continuous improvement in our manufacturing facilities were realised.

Group revenue for the year was £32.0 million (2022: £24.9 million) and Adjusted EBITDA was £2.1 million (2022: Adjusted EBITDA loss of £0.9 million). The Group reported adjusted operating profit for the year of £0.6 million (2022: adjusted operating loss of £2.6 million).

The order book of the Group at the end of the year was £20.7 million (FY22: £10.4 million), positioning the Group well for FY24.

£ million	**2023**	**2022**	**2021**	**2020**	**2019**
Group Revenue	**32.0**	**24.9**	**25.3**	**25.4**	**28.3**
Defence	17.2	13.5	11.1	5.1	9.1
Hydrogen Energy	2.1	2.4	2.2	0.2	0.7
Oil & Gas	11.8	7.9	6.1	14.9	16.3
Industrial	0.9	1.1	5.9	5.2	2.2
Group Gross margin	**28%**	**21%**	**23%**	**21%**	**32%**
Group Adjusted EBITDA	**2.1**	**(0.9)**	**0.1**	**(0.8)**	**3.5**
Group Operating profit / (loss) before amortisation and exceptional costs	**0.6**	**(2.6)**	**(1.5)**	**(2.4)**	**2.2**
Group Loss before taxation	**(1.1)**	**(4.0)**	**(5.0)**	**(20.0)**	**(0.5)**

The Group reported a loss before taxation of £1.1 million (2022: loss of £4.0 million) due to exceptional costs of £1.3 million (2022: £1.0 million) and finance costs of £0.4 million (2022: £0.3 million).

The exceptional costs related to professional fees incurred in the proposed refinancing of the banking facilities of the Group during the year, corporate finance advisory fees exploring the potential sale of PMC in the first-half of the year and the costs of re-organising the senior management of the Group.

Strategic report (continued)

Chesterfield Special Cylinders

£ million	2023	2022	2021	2020	2019
Revenue	**20.7**	**17.6**	**18.9**	**11.2**	**13.9**
Defence	17.2	13.5	11.1	5.1	9.1
Hydrogen Energy	2.1	2.4	2.2	0.2	0.7
Oil and Gas	0.9	1.0	0.3	1.0	2.2
Industrial	0.5	0.7	5.3	4.9	1.9
Gross margin	**34%**	**26%**	**30%**	**26%**	**36%**
Adjusted EBITDA	**3.9**	**1.1**	**2.6**	**0.5**	**2.6**
Operating profit / (loss) before amortisation, impairments and exceptional costs	**3.1**	**0.4**	**2.0**	**(0.1)**	**2.1**

Chesterfield Special Cylinders ("CSC") delivered revenue of £20.7 million (FY22: £17.6 million) and Adjusted EBITDA of £3.9 million (2022: 1.1 million), a much improved performance in the year. The division reported adjusted operating profit of £3.1 million (FY22: £0.4 million).

CSC's order intake in FY23 was £24.6 million (FY22: £15.7 million), an increase of 57%. This supported a year-end order book of £11.3 million (2022: £7.4 million), positioning the division well for FY24.

The recovery in revenue, to the highest level seen in the last 5 years, was driven by work for the defence sector. 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. This contract, valued at £18.2 million, is the largest ever awarded to CSC and will be delivered to the customer over three years. Activity on the contract commenced immediately upon placement and accelerated in the final quarter of FY23, driving revenue and Adjusted EBITDA for the year.

CSC was also active on contracts for global defence customers in France and Australia during the year. We expect revenue from global defence to increase further in FY24.

Revenue for Integrity Management field services from defence customers was below expectations in the year at £1.2 million (2022: 1.8 million) due to the postponement of several naval vessel deployments. However, we expect Integrity Management to resume profitable growth in FY24.

The significant increase in defence revenue, up 27% on prior year, was the main driver of the improvement in gross margin to 34% (2022: 26%), reflecting CSC's strong competitive position in the defence supply chain.

Growth opportunities for Integrity Management services more generally remain strong in key markets of defence, offshore services, nuclear and industrial ground storage. Enquiry levels from offshore services customers increased sharply during FY23, driven by growing activity in the market to support offshore oil and gas projects. Integrity Management has the potential to provide recurring revenue streams at attractive margins and is a key strategic priority for FY24.

Revenue from hydrogen projects in the year was £2.1 million (2022: £2.4 million), reflecting lower order placement by customers during the year due to broader supply chain challenges, including performance issues with electrolysers and extended lead times for gas compression systems.

Whilst these supply chain issues for electrolysers and gas 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.

Strategic report (continued)

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. In addition, in-situ testing and factory reconditioning of hydrogen storage and transportation systems present additional exciting growth opportunities for CSC. Throughout the year, CSC continued to raise the profile of its hydrogen capabilities, products and services during events and exhibitions held in the UK and Europe.

Based on market evaluation and evolving customer requirements, we are currently developing solutions for higher storage pressures and efficient road trailer designs. Operational improvements in the Sheffield facility have delivered increased capacity and efficiency for hydrogen road trailer assembly and for reconditioning, inspection and testing services and we remain focused on delivering improved revenue and contract margins from these growth areas.

In December 2023, UK Government announced the award of £90 million of funding for the construction of 11 UK hydrogen projects as part of the first Hydrogen Allocation Round (HAR1). The first projects are expected to be operational in 2025. CSC has developed commercial relationships with a number of these new UK projects providing a pipeline of opportunities for the next two years.

Precision Machined Components

£ million	2023	2022	2021	2020	2019
Revenue	**11.3**	**7.3**	**6.4**	**14.2**	**14.4**
Oil and Gas	10.9	6.9	5.7	13.9	14.0
Industrial	0.4	0.4	0.7	0.3	0.4
Gross margin	**17%**	**11%**	**11%**	**17%**	**29%**
Adjusted EBITDA	**0.1**	**(0.3)**	**(0.8)**	**0.2**	**2.6**
Operating (loss) / profit before amortisation, impairments and exceptional costs	**(0.6)**	**(1.1)**	**(1.6)**	**(0.7)**	**1.9**

Precision Machined Components ("PMC") delivered revenue of £11.3 million (2022: £7.3 million) and Adjusted EBITDA of £0.1 million (2022: Adjusted EBITDA loss of £0.3 million). The division reported an adjusted operating loss of £0.6 million (2022: adjusted operating loss of £1.1 million). This is an encouraging performance during a critical recovery period for the oil and gas sector and positions the division well for FY24.

PMC's order intake in FY23 was £18.4 million (FY22: £8.9 million), an increase of over 100%. This supported a year-end order book of £9.4 million (2022: £3.0 million), substantially above prior year and at the highest level seen in the last 5 years, providing strong revenue visibility into FY24.

Order intake from the oil and gas sector accelerated from March 2023 following a record £3.0 million order from an established international OEM customer. Moreover, the OEM customers of PMC 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.

At Roota Engineering, the demand for subsea well intervention tools, valve assemblies and control module components has recovered strongly as major OEM customers including Expro, Halliburton, Schlumberger and Aker continue to report a stronger oil and gas market outlook for 2024 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 Roota's 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. This supported a significant step-up in activity levels at Roota in the third and fourth quarters of FY23 with resilient margins reported.

Al-Met has remained focused on the improvement of operational performance, efficiency and competitiveness and is well positioned for a recovery in demand for precision, high-pressure valve control components. On 27 March 2023, the Group announced that Al-Met had been awarded a record and unprecedented order of £3.0 million from an

international OEM customer for the supply of flow control components and sub-assemblies used in high-pressure extreme service oil and gas applications.

This order supported a significant ramp-up of activity in the fourth quarter of FY23 at Al-Met. However, Al-Met's margins have remained challenged during this recovery phase and are not expected to show material improvement until the middle of FY24. To support this recovery in margins, the Group has prioritised capital investment at Al-Met that reduces dependency on sub-contractors and drives raw material savings.

On 24 October 2023, the Group announced that having considered the current trading environment, improved outlook and the improved financial performance of PMC in the second-half of FY23, the timing was favourable to realise value through the divestment of the PMC division. The Board has appointed DSW Corporate Finance to handle the sale process which was launched in December 2023.

Central Costs

£ million	2023	2022	2021	2020	2019
Cash costs	**(1.9)**	**(1.7)**	**(1.7)**	**(1.4)**	**(1.6)**
Depreciation	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)
Operating loss	**(2.0)**	**(1.9)**	**(1.9)**	**(1.6)**	**(1.7)**

Central costs include the following items:

- the employment costs of the Board of Directors;
- the employment costs of central staff who undertake group-wide activities;
- administration costs incurred by Directors and central staff;
- the regulatory costs of operating as a public limited company quoted on the London Stock Exchange; and
- depreciation of assets held centrally.

Central cash costs increased to £1.9 million in the year (2022: £1.7 million) due to inflationary cost pressures.

Financial review

Financial Performance

Revenue & Profitability

Record new defence orders and improving market conditions in the oil and gas market have underpinned a significant improvement in performance in FY23. Group revenue of £32.0 million was 28% higher than last year (2022: £24.9 million) and has helped drive gross profit to £8.9 million at 28% margin (2022: £5.3 million at 21% margin).

The Group's gross margin improvement has been driven by achievement of high-value milestones on UK defence contracts, boosting CSC gross margin to 34% (2022: 26%). In addition, the higher level of activity and throughput at PMC, improving asset utilisation, has increased PMC gross margins to 17% (2022: 11%), contributing to the increase in Group margins.

Overhead costs increased in the year to £8.4 million (2022: £7.9 million). This increase has been driven by the need to re-build the capability of the organisation following the Covid-19 pandemic in order to maximise future growth opportunities in CSC and PMC. The overhead base has also been impacted by the high levels of cost inflation experienced during the year driving increased IT, recruitment, marketing and travel costs.

The Group reported an adjusted operating profit of £0.6 million (2022: adjusted operating loss of £2.6 million) in the year. Allowing for depreciation charges of £1.5 million (2022: £1.7 million), the Group delivered Adjusted EBITDA of £2.1 million in the year (2022: Adjusted EBITDA loss of £0.9 million), demonstrating the strong turnaround in underlying financial performance.

Strategic report (continued)

Exceptional costs

Exceptional costs of £1.3 million (2022: £1.0 million) were incurred in the year relating to professional fees incurred in the proposed refinancing of the banking facilities of the Group during the year, corporate finance advisory fees exploring the potential sale of PMC in the first-half of the year and the costs of re-organising the senior management of the Group.

Impairment Review

The Group tests annually for impairment, in accordance with IAS 36, if there are indicators that intangible or tangible fixed assets might be impaired.

The impairment methodology identifies two Cash Generating Units ("CGU's") within the Group, being CSC and PMC. Each CGU is assessed for potential indicators of impairment, including internal or external factors or events that could reduce the recoverable value of the fixed assets of the Group. If indicators of impairment are identified, a full impairment review is undertaken to determine the recoverable amount of the CGU.

The recoverable amount of a CGU is determined using a discounted cashflow model that is based upon a five-year forecast period. The forecast takes into account the firm order book, sales pipeline and market opportunities of the CGU, together with expected gross margin performance and consideration of the cost base, planned capital expenditure and estimated working capital needs of the CGU. A long-term growth assumption is applied beyond the five-year forecast period. The future cashflows are then discounted to a present, recoverable value by applying a risk-adjusted pre-tax discount rate.

As detailed further in Note 2 to the accounts on pages 62-63, an impairment review was undertaken for each of CSC and PMC. The review concluded that no impairment was required in these financial statements.

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 freehold land and buildings, which indicated that no impairment of this asset was required.

Taxation

The tax credit for the year was £0.4 million (2022: tax charge £0.1 million). The current year tax credit was principally due to a £0.4 million receipt in respect of R&D tax credit claims submitted in the year in respect of FY21 and FY22.

Corporation tax refunded in the year totalled £0.4 million (2022: £0.1 million).

Loss per share

Basic loss per share was 1.8 pence (2022: loss per share 13.0 pence). Allowing for add-back of exceptional costs and amortisation charges, adjusted earnings per share was 0.8 pence (2022: adjusted loss per share of 10.2 pence).

Dividends

No dividends were paid in the year (2022: nil) and no dividends have been declared in respect of the year ended 30 September 2023 (2022: nil). Distributable reserves in the parent company totalled £2.6 million at year end (2022: £5.7 million).

Operating cash flow, capital expenditure and cash flow before financing

Operating cash flow was £1.2 million (2022: £1.8 million), driven by Adjusted EBITDA of £2.1 million (2022: Adjusted EBITDA loss of £0.9 million), accounting add-backs of £0.3 million (2022: deductions of £0.3 million) and working capital outflows of £1.2 million (2022: inflows of £3.0 million). Key movements within working capital in the year included the build-up of inventory across the Group as a result of the increased activity in the second-half of the year.

Capital expenditure in the year was £0.6 million (2022: £0.5 million) incurred principally to replace plant and equipment for productive use. Proceeds from the disposal of fixed assets was £0.2 million (2022: £2.1 million from sale and leaseback of property).

Allowing for exceptional costs of £1.3 million (2022: £1.0 million), finance costs of £0.4 million (2022: £0.3 million) and corporation tax refunds of £0.4 million (2022: £0.1 million), cash flow before financing was an outflow of £0.5 million (2022: inflow of £2.2 million).

Strategic report (continued)

Financing and liquidity

On 6 December 2022, the Group completed a £2.1 million equity fundraise (net of transaction costs) with support from institutional and retail investors. The funds raised provided important flexibility and liquidity during the first half of FY23 and a bridge to profitable, cash-generative trading driven by the commencement of major defence contracts in CSC and recovering order intake in PMC.

The cash balance at 30 September 2023 was £0.9 million (2022: £1.8 million). The reduction in cash of £0.9 million in the year was driven by the equity fundraise of £2.1 million, the cash outflow before financing of £0.5 million, the repayment of borrowings of £1.5 million and the repayment of lease liabilities of £1.0 million.

Net debt at 30 September 2023 was £2.4 million (2022: £3.5 million). The reduction in net debt of £1.1 million was driven by the equity fundraise of £2.1 million, partially offset by the cash outflow before financing of £0.5 million and new lease liabilities of £0.5 million.

Subsequent to the end of FY23, on 14 November 2023, the Group exited its existing debt facilities provided by Lloyds Banking Group by arranging a new Term Loan facility of £1.5 million with Rockwood Strategic plc and Peter Gyllenhammar AB, two of its major shareholders. The new Term Loan is committed for a period of 5 years and is secured against the assets of the Group.

In conjunction with the provision of the new Term Loan, Rockwood and Gyllenhammar were issued with 1,933,358 warrants in aggregate (representing 5% of the issued share capital) to subscribe for ordinary shares in the Company at a price of 32 pence per share, representing a 20% premium to the closing share price on 23 October 2023 (being the day prior to the announcement of the new facility). The warrants may be exercised at any time in the 5 years following drawdown of the new facility and continue to be exercisable in the event the facility is repaid before its final expiry.

Going concern

These financial statements have been prepared on the going concern basis. The Directors have prepared financial projections for the period to September 2025 and these demonstrate that the Group can operate within its existing financing facilities and meet is financial obligations as they fall due.

The base case projections recognise that the Group remains dependent on the profitability of CSC which is currently dependent on large UK defence contracts. During the projection period, CSC is expected to undergo a period of transition, with revenue from UK defence contracts falling and revenue from the hydrogen energy market and global defence customers expected to increase. Over the short-term, this is expected to result in lower revenues and earnings for CSC, which is factored into the financial projections. The base case projections also recognise the much improved performance of PMC and the more favourable outlook for the oil and gas market.

The Directors have also developed downside scenarios and have modelled reasonably possible delays to delivery of UK defence milestones and delays to placement of major orders from new hydrogen customers. In the event of such delays, 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.

Reflecting management's confidence in delivering large UK defence contracts and winning new hydrogen contracts, and having refinanced its debt facilities in November 2023, the Directors have concluded that the Group does have sufficient financial resources to meet its obligations as they fall due for the next 12 months and no material uncertainty relating to Going Concern has been identified.

Outlook

During FY24, CSC expects to pass the peak of activity on current high-value defence contract milestones and will seek to re-balance its revenue profile across global defence programmes and the hydrogen energy market, with each of these markets presenting significant opportunities over the medium-term. During this transitional period, CSC revenue is expected to decline slightly on FY23 levels with a consequent reduction in divisional profitability in FY24.

PMC continues to see increasing demand from customers and improving operational performance. The momentum in order intake provides confidence in delivering an improved full-year FY24 performance for the PMC division. As previously announced, this improved trading environment underpins the decision of the Board to divest PMC.

Given these divisional trends, the Board expects the Group's full-year FY24* revenue and Adjusted EBITDA to be in-line with current market expectations.

* FY24 outlook includes CSC and PMC, on the basis that PMC is not sold in FY24 and remains a continuing operation

Strategic report (continued)

Key performance indicators

The Board uses Key Performance Indicators ("KPIs") when assessing the performance of the Group. These KPIs are divided into two sections - Financial KPI's and Non-Financial KPI's.

Financial KPI's

The Board monitors the following financial KPI's:

- **Group Revenue Growth and Operating Margin**

Group revenue growth is defined as the annual year-on-year change in revenue. Group operating margin is defined as adjusted operating profit divided by revenue. The trend of this KPI over the last 5 years is as follows:

£ million	**2023**	**2022**	**2021**	**2020**	**2019**
Group revenue	**32.0**	**24.9**	**25.3**	**25.4**	**28.3**
Annual revenue growth %	+28%	-2%	0%	-10%	+33%
Group operating profit / (loss) before amortisation, impairments and exceptional costs	**0.6**	**(2.6)**	**(1.5)**	**(2.4)**	**2.2**
Operating margin %	1.7%	-10.4%	-5.9%	-9.4%	7.8%

The Board has noted the strong level of revenue growth in FY23 and the restoration of a positive operating margin.

- **Order Intake**

Annual order intake is measured for the Group, CSC and PMC and represents a strong indicator of future workloads:

£ million	**2023**	**2022**	**2021**	**2020**	**2019**
Group order intake	**43.0**	**24.6**	**22.1**	**23.0**	**26.7**
CSC order intake	24.6	15.7	16.1	11.0	10.5
PMC order intake	18.4	8.9	6.0	12.0	16.2

The Board has noted the strong recovery of order intake at CSC and PMC in FY23 driving Group order intake to £43.0 million, an increase of 75% on prior year.

Non-Financial KPI's

The Board reviews a number of non-financial KPI's including the volume of accidents, near misses and reportable safety incidents, staff utilisation and attrition, energy consumption and environmental impact measures.

The Board places particular emphasis on health and safety and environmental performance. Experienced safety managers with recognised HSE training cover all operational sites, reporting through CSC and PMC management to the Chief Executive, ensuring that the Group employs best practice, drives continuous safety improvement and fulfils all statutory requirements. The Board has noted:

- the Group had one reportable safety incident in FY23 at its Roota Engineering site; and
- the Group has zero reportable environmental incidents in the 5 years up to September 2023.

Strategic report (continued)

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Directors of Pressure Technologies plc consider, both individually and together, that they have acted in a manner, in good faith, that would be most likely to promote the success of the Company for the benefit of the members as a whole in the decisions taken during the 12 months ended 30 September 2023, having due regard to the interests of its stakeholders and the matters set out in s172(1)(a-f) Companies Act 2006, including the:

- likely consequences of any decisions in the long term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our statutory duties, we acknowledge that decisions we make will not necessarily result in a positive outcome for all of our stakeholders. By considering our vision, values and strategic priorities, whilst operating robust governance processes, we aim to ensure that our decisions are well considered and consistent.

The Board fully recognises that long-term growth and profitability are enhanced when businesses behave in a sustainable and responsible manner, with respect for all stakeholders. The Group's stakeholders include shareholders, customers, employees, suppliers, government, regulators, industry bodies and the communities in which we operate.

Moreover, the Directors have actively engaged with these stakeholders using a variety of methods in the period, applying the information obtained to drive decisions on the execution if its strategy. The principal stakeholders engaged during the year, and the methods used, were as follows:

• Shareholders

The Board aims to behave responsibly towards our shareholders and to treat them equally and fairly. We are focussed on the delivery of value to our shareholders. Having demonstrated resilience during the challenging conditions of recent years, including the Covid-19 pandemic, depressed oil and gas markets and the Russia-Ukraine conflict, we are now in a strong position to execute our value-creation strategy.

The Company held an Annual General Meeting in March 2023 to directly engage with all shareholders. In addition, Executive Directors meet periodically with the Group's major shareholders and also engage with smaller shareholders. Harwood Capital LLP, a major shareholder, appointed a representative to the Board during the year. Feedback obtained from investor meetings is reviewed by the Board and used in the formulation and execution of strategy.

The Executive Directors also host and attend events for new and existing private investors, including accommodating investors who wish to visit its manufacturing sites.

• 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 perform 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 nurturing trusted customer relationships and maintaining open channels of communication ensures that customers:

- receive the information they require;
- are consulted on matters relevant to them;
- are heard and their needs actioned; and
- feedback is collected and reviewed in a structured manner.

The Board has regard to this information in making decisions regarding capital investment, workforce size and distribution, production planning and continuous improvement initiatives.

Strategic report (continued)

• Employees

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 providing clear organisational purpose and objectives, appropriately structured incentive schemes and by providing training and career development opportunities, including a commitment to our apprenticeship programme. We get the best from our people by nurturing our unique culture reflected in our 4 core values:

- We put people first;
- We deliver to the highest standard;
- We work with each other; and
- We innovate and create the future.

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 to promote a long-term perspective of the business. We also
undertake annual employee engagement surveys using a structured questionnaire to gather employee feedback that is used to evolve the culture and practices of the Group.

These communication methods provide a two-way flow of information between senior management and employees, providing valuable insight into the perspective and interests of employees. The Board has regard to this information in making decisions in relation to pay levels for specific employee groups, Company-wide pay reviews, updating of terms and conditions, investment in site facilities and amenities, investment in health & safety and in provision of training and career development opportunities.

The Group operates a number of employee incentive schemes including performance-related bonuses covering all staff grades and a SAYE share option scheme.

• Suppliers

We build and maintain strong, long-term relationships with our suppliers. A robust supply chain is critical to the delivery of our products/services on-time, on-cost and on-quality.

We have continued to focus on strengthening our supplier relationships and performance during the year, with key initiatives including:

- Measurement of supplier quality and on-time delivery performance;
- Proactive engagement led by dedicated supplier relationship managers who ensure that any issues are dealt with promptly and hold regular meetings to review supplier performance and the outlook for demand; and
- Establishment of collaboration and long-term supply agreements with key suppliers.

The information gathered from supplier engagement is used by the Board in making decisions in relation to supplier payment policies, capital investment and health & safety policies.

• Government, Regulators & Industry Bodies

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; and
- We communicate regularly and openly regarding policies that relate to the sectors we are involved in.

The Board has regard to this information in making decisions in relation to product development, regulatory compliance and health & safety investments.

Strategic report (continued)

- ## Environmental Responsibility & Community Engagement

The Group complies with all relevant environmental regulations and is committed to the continuous improvement of its environmental management system. Specifically, the Group has established measurable environmental objectives that are communicated to all employees and seeks to reduce waste and energy use and prevent acts of pollution.

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 Board of Directors uses the information obtained from stakeholder engagement to ensure that management operate the business in a responsible manner, meeting the high standards of business conduct and governance expected by our stakeholders. The objective is to protect and enhance the reputation of the Company in its local community and the markets it chooses to serve,

In formulating and executing its strategy, the Board considers the likely consequences of decisions in the long-term, promoting the long-term stability and prosperity of the Group.

Strategic report (continued)

Principal risks

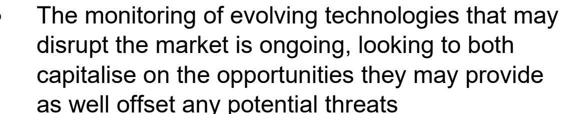
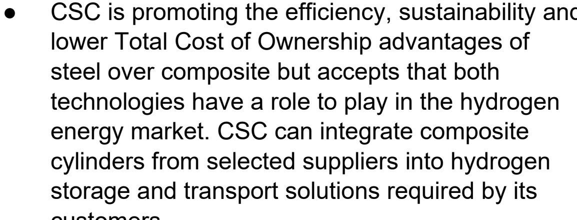
The principal risks identified by the Board, and the change in the risk outlook in the year, are described below:

Risk and impact	Status and management strategy to mitigate	Change
1. Global economic conditions and market volatility		
Macroeconomic factors The global economy has demonstrated consistent recovery during the year with the impact of inflation and elevated energy prices gradually abating as the year progressed. This has also underpinned the improving resilience of global supply chains. Moreover, the continuation of the Russia-Ukraine conflict and instability in the Middle East have reinforced the importance of investment in national defence and raised concerns over longer-term energy security, driving recovery in traditional energy markets that utilise fossil fuels. These macro factors have driven activity in UK and Global Defence markets and driven rapid recovery in investment levels in the Oil & Gas sector.	● 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.	⇓ (risk reduction)
Market sectors The Group serves 3 key sectors - defence, hydrogen and oil & gas. Whilst the defence and oil & gas sectors have benefitted from the macro trends noted above, it should be noted that defence spending on major naval build programmes is cyclical and that the Group's work on current major UK defence programmes is nearing its end. The emergence and growth of the hydrogen economy has been subdued during the year but is still expected to account for a greater share of Group revenue moving forward.	● The sales and business development focus is to develop new relationships in two key sectors - global defence and hydrogen. ● We continue to make progress with a number of global defence naval prime contractors to mitigate our exposure to the UK defence spending cycle. ● The hydrogen economy offers strong long-term prospects across a broad range of projects and customers. ● The PMC division continues to build upon its strong relationships with oil & gas tier-one players as a trusted supplier to global projects.	⇑ (risk increase)
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.	● 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	⇎ (no change)

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. Recent government policy has been to support higher levels of spending on defence, especially following the start of the Russia-Ukraine conflict. However, the Covid-19 pandemic and the recent energy crisis has resulted in a very significant increase in government borrowing which may have a negative impact on the government's ability to meet this commitment. 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.	● A General Election will occur in the next 12 months with a strong possibility of a change in UK Government. ● A change of government may impact UK defence programme spending over the medium-term, impacting demand for the Group's products. ● Recent increases in business taxes introduced by the current government, including significant increases in Corporation Tax rates, may depress investment and, hence, demand for the Group's products.	⇑
Health and Safety The Group operates heavy industrial manufacturing facilities and 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 concentration Customer concentration is high in both divisions of the Group and our relationships with key customers could be materially adversely affected by several factors, including: • a customer decision to diversify or change how, or from whom, they source components that we currently provide; • an inability to agree on mutually acceptable pricing;	● Key account management is a focus across the Group and we have a history of strong customer relationships and customer retention. ● Expanding the customer base in both divisions should reduce customer dependency ● The growth of the hydrogen energy business in the CSC division should result in lower customer concentration and diversify away from the traditional defence and industrial customer base	

• performance against contractual commitments; • 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.	• Work undertaken to extend the PMC customer base has resulted in a lower customer concentration at Roota. • Progress has been slower in Al-Met, where one major OEM customer continues to dominate the order book, although 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. 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.	• Long-term supply and cooperation agreements established with both suppliers during 2021 with a duration of 5 years. • Strengthened supplier management and procurement activities through recruitment of specialist supply chain management capability will support the evaluation of alternative seamless 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 In November 2023, the Group completed a refinancing of its Revolving Credit Facility and raised additional cash to provide working capital headroom by way of a new Term Loan provided by two major shareholders. The new arrangement has converted short-dated debt into longer-dated debt and is structured to provide a financing bridge to the announced sale of the PMC division, which is expected to complete in the third quarter of FY24. The Term Loan is secured on the assets of the Group and is not subject to financial covenant tests. The expected proceeds of the sale of PMC will be utilised to repay the Term Loan and to provide funding for the growth in our hydrogen energy business in the CSC division. There still remains a level of risk in relation to this financing strategy, including: • delay to, or termination of, the sale process for PMC; • reduction in Group revenue and earnings during FY24; • operational under-performance in CSC and/or PMC; • delay to new order placement by new hydrogen customers; • increase in working capital requirements as CSC expands current focus from UK defence toward emerging hydrogen energy market.	• The Group made all scheduled repayments of debt during FY23 and exited the year with a much improved Net Debt position, driven by trading performance in the second-half. • The Group has appointed new advisors to drive the sale of PMC. • The recent performance of PMC, combined with much improved conditions in the oil & gas market, means that the sale process is taking place against a more favourable backdrop. • Cashflow forecasts are reviewed on a weekly basis using information from the CSC and PMC divisions, facilitating robust planning of cash conversion, working capital investment and liquidity. • The Group makes use of long-term finance lease arrangements where appropriate to augment its core financing.	

5. Availability and use of key resources		
Leadership As a publicly quoted SME, the Group is dependent on a small number of executives to provide strategic, financial, operational and governance leadership, to deliver business performance and growth. Given the future strategy of the Group, there is a requirement for a balanced, highly experienced, and resilient leadership team that can prioritise the deployment of Group resources to deliver strategic objectives.	● The leadership team has been substantially re-shaped over the last 2 years. ● In April 2022, Nick Salmon replaced Sir Roy Gardner as Chair and the Group appointed Chris Webster as the new Chief Operating Officer. ● In May 2023, Steve Hammell was appointed as the new Chief Financial Officer and Richard Staveley, a representative of Harwood Capital LLP, also joined 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 recent increase in the rate of inflation has also increased pressure on staff 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 across 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 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, some of which are approaching their reasonable end-of-life assessment. 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 we operate.	
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 and is subject to competition from alternative technologies.	● 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 from selected suppliers into hydrogen storage and transport solutions required by its customers.	
Cyber-crime Cyber-crime is a growing risk for all businesses, recently exacerbated by heightened political tensions resulting from the Russia-Ukraine conflict. The Group's principal exposures to cyber-crime relate to access to, and the potential loss of, data resources.	● Cyber security policies are overseen by the CFO. ● CSC carries Cyber Essentials Plus accreditation, which was recently renewed in September 2023. ● The Group uses cloud storage with secure data access. ● Capital commitments have been made for FY24 to upgrade servers and operating systems to provide further cyber resiliency. ● All employees undertake regular mandatory cyber security training.	

Strategic report (continued)

Approval of the strategic report

The strategic report, as set out on pages 5 to 24, has been approved by the Board.

By order of the Board,

Chris Walters
Chief Executive
29 January 2024

Governance statement

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 ARC"). Corporate Governance will be continually monitored and reviewed formally by the ARC annually following publication of the annual 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 6 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 Audit & 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. The Board reviewed the Group's Cyber Security Roadmap, a rolling action plan of initiatives, in June 2023. The key priority was to deliver CSC's Cyber Essentials+ accreditation renewal and this was successfully achieved in September 2023.

The risk reporting model, set out on pages 19 to 23 of this Annual Report, includes the principal risks to the Group's strategy.

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

The Board currently comprises two Executive Directors and four Non-Executive Directors (“NEDs”).

The Executive Directors are:

- Chris Walters (Chief Executive) - joined September 2018; and
- Steve Hammell (Chief Financial Officer) - joined May 2023.

The NED’s are:

- Nick Salmon (Chair) - joined April 2022;
- Tim Cooper (Senior Independent NED) - joined January 2020;
- Mike Butterworth - joined June 2020; and
- Richard Staveley (a representative of Harwood Capital LLP) - joined 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 NEDs, with the exception of Richard Staveley, are considered to be independent of management and from any business relationship which could materially interfere with their independent judgement. Richard Staveley is not considered to be independent given that he is a representative of Harwood Capital LLP, a major shareholder in the Company. The Chair and Senior Independent NED are available to shareholders if they have concerns regarding the functioning of the Board.

The Board operates with three sub-committees that make recommendations to the Board in the following areas:

- Nominations Committee - 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.

- Audit & Risk Committee - responsible for regulating the relationship with the Group’s auditors, for assessing risks impacting the Group and for monitoring systems of internal control.

- Remuneration Committee - responsible for reviewing the remuneration of Board members and senior management.

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 12 meetings during the financial year ended 30 September 2023 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 Board acknowledges the current limited diversity across its members, in relation to gender and ethnicity, and is committed to promoting equality of opportunity for future appointments to the Board.

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

A Board evaluation was not performed during FY23 due to changes in the Board composition in the year.

The intention is to undertake a Board evaluation in FY24 once the new CFO and the new Non-Executive Director have settled into their roles respectively and become familiar with the governance arrangements and sub-Committees of the Board.

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 & 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 & 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.

Remuneration Committee report

Terms of reference

The Remuneration Committee comprises at least two Non-Executive Directors and is chaired by Tim Cooper.

The Committee 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.

The Committee meets when necessary but 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. All members of the Committee attended the four meetings held during the year.

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 align the interests of Executive's 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 cash bonus scheme and transaction incentive

In order to link executive remuneration to Group performance, Executive Directors participate in an annual cash bonus scheme which, in the event of high performance, can pay out up to a maximum of 100% of basic salary in each financial year. 50% of the award will be based on stretching financial targets with the remaining 50% based on strategic targets.

The strategic element for the financial year ending 30 September 2024 will be based on delivering a sale of the PMC division. Full details of the financial and strategic targets and the extent to which they have been met will be provided in the Annual Report and Financial Statements for the year ending 30 September 2024.

c) Long Term Incentive Plan ("LTIP")

2021 Value Creation Scheme

The Pressure Technologies plc Value Creation Scheme (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 excludes 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.

Remuneration Committee report (continued)

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 is awarded a number of performance units for the purposes of the VCS. The number of options granted to participants is 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 was 60, with a further 40 performance units available for future awards.

The VCS remains active as at the date of this Annual Report & Financial Statements.

Future LTIP Arrangements

Given the recent change to the strategy of the Group, in particular the intention to dispose of the PMC division, the Remuneration Committee is currently undertaking a review of the LTIP arrangements it has in place for senior employees.

The Board expects to provide a further update on this review following completion of the disposal of PMC.

d) Service Contracts

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

Remuneration Committee report (continued)

Directors' Remuneration

The remuneration of Directors who served during the year was as follows:

	Salary and fees £'000	**Bonus £'000**	**Benefits £'000**	**Pension £'000**	**Other £'000**	**Loss of office £'000**	**Total 2023 £'000**	Total 2022 £'000
Executive:								
Chris Walters[1]	215	-	1	-	13	-	**229**	230
Steve Hammell[2]	71	35	1	6	-	-	**113**	-
James Locking[3]	61	-	1	8	-	50	**120**	154
Non-Executive:								
Nick Salmon	60	-	-	-	-	-	**60**	30
Tim Cooper	40	-	-	-	-	-	**40**	40
Mike Butterworth	40	-	-	-	-	-	**40**	40
Richard Staveley[4]	4	-	-	-	-	-	**4**	-
Sir Roy Gardner	-	-	-	-	-	-	**-**	33
Brian Newman	-	-	-	-	-	-	**-**	30
Total Remuneration	**491**	**35**	**3**	**14**	**13**	**50**	**606**	557

Notes

1 Chris Walters' annual salary in the period was £215,000. His total remuneration in 2023 includes £12,694 (2022: £13,298) of taxable allowance in lieu of employer pension contributions (disclosed in "Other" column above). His total remuneration in 2023 excludes £53,533 (2022: £53,641) of taxable accommodation and travel expenses.

2 Steve Hammell joined the Group on 2 May 2023 and was appointed as a Director on 23 May 2023. His annual salary in the period was £170,000. He was eligible for a contractual bonus of £35,000 for the period to 30 September 2023 which was accrued in these accounts and paid in December 2023.

3 James Locking resigned as a Director with effect from 3 March 2023. His annual salary was £140,000.

4 Richard Staveley was appointed as a Director on 23 May 2023. His annual fee is £40,000. Fees were waived during his first three months of tenure, with remuneration commencing from 23 August 2023.

The number of Directors who accrued benefits under money purchase pension arrangements in the period was two (2022: one).

No bonuses were paid to Directors in respect of the periods ended 30 September 2023 and 1 October 2022 other than the contractual bonus of £35,000 for Steve Hammell in respect of the period ended 30 September 2023.

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 (2022: nil).

Remuneration Committee report (continued)

Directors' Share Awards and Options

The Directors' interests in the Group's share option arrangements and LTIP are as follows:

Save-As-You-Earn ("SAYE") Scheme

The Directors' options at the end of the period relating to the Group's SAYE scheme (see Note 25) are:

	Chris Walters No.	James Locking[1] No.
Outstanding at 1 October 2022	**26,554**	**16,363**
Forfeited during the period	(4,736)	(16,363)
Outstanding at 30 September 2023	**21,818**	**-**

The options above remain exercisable until March 2024.

[1]James Locking resigned as a Director with effect from 3 March 2023.

Value Creation Scheme

During the year ended 30 September 2023, no awards have been made under the VCS.

In the year ended 1 October 2022, the first awards under the VCS were made to the two executive directors, Chris Walters and James Locking, dated 18 January 2022. 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. James Locking forfeited his awards when he resigned as a Director on 3 March 2023.

By order of the Board,

Tim Cooper
Chair of the Remuneration Committee
29 January 2024

Directors' report

The Directors present their report and the audited financial statements for the year ended 30 September 2023.

Principal activities

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

- **Chesterfield Special Cylinders ("CSC")**

  CSC's principal activity is 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 ("PMC")**

  The PMC division consists of three trading businesses as follows:

  - **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; and

  - **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.

Directors and their interests

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

During the year the following Directors held office:

NR Salmon - Chair
CL Walters - Chief Executive
SJ Hammell - Chief Financial Officer (appointed 23 May 2023)
J Locking (resigned 3 March 2023)
TJ Cooper - Non-Executive Director
MG Butterworth - Non-Executive Director
RA Staveley - Non-Executive Director (appointed 23 May 2023)

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

The Directors hold the following interests in the share capital of the Company:

Ordinary shares	**30 September 2023 No.**	**% share-holding**	1 October 2022 No.	% share-holding
NR Salmon	**100,000**	**0.26%**	-	-
CL Walters	**118,000**	**0.31%**	84,667	0.27%
MG Butterworth	**114,133**	**0.30%**	80,800	0.26%
TJ Cooper	**44,999**	**0.12%**	11,667	0.04%

RA Staveley was appointed to the Board as a representative of Harwood Capital LLP, a major shareholder in the Company. Whilst RA Staveley does not hold any shares directly in the Company, Harwood Capital LLP held 7,750,000 shares at 30 September 2023 (1 October 2022: 7,750,000 shares), representing 20.04% of the issued share capital.

Share options

Details of the share options granted in the period are disclosed in Note 25 to the consolidated financial statements. The Directors' interests in share options are disclosed in the Report of the Remuneration Committee.

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.

Substantial shareholdings

As at 31 October 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
Harwood Capital LLP	7,750,000	20.04%
Schroder Investment Management	7,542,991	19.51%
Peter Gyllenhammar AB	6,510,193	16.84%
Hargreaves Lansdown	2,236,157	5.78%
Interactive Investor	1,593,035	4.12%
James Sharp & Co	1,417,172	3.67%
Brett S Gordon	1,225,000	3.17%

Harwood Capital LLP, the largest shareholder in the Company as at 31 October 2023, manages funds on behalf of Rockwood Strategic plc, a quoted unit trust.

Results and dividends

The consolidated statement of comprehensive income is set out on page 45. The Adjusted Operating Profit (defined as Operating profit / loss before exceptional costs) of the Group for the period ended 30 September 2023 amounted to £0.6 million (2022: adjusted operating loss of £2.6 million). The Group made a loss before taxation of £1.1 million (2022: loss before taxation of £4.0 million).

No interim dividend was paid in the period (2022: £nil). The Directors do not recommend the payment of a final dividend (2022: £nil).

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.

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.

Directors' report (continued)

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

responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

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

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

Auditor

Grant Thornton resigned as auditor to the Group on 23 May 2023 following the signing of the FY22 Annual Report and Financial Statements. They confirmed that there were no matters connected with their ceasing to hold office which they considered should be brought to the attention of the shareholders or creditors of the Group.

Cooper Parry Group Limited were appointed as the new auditor to the Group on 14 September 2023.

Corporate governance

The Group's corporate governance statement is set out on pages 25 to 27.

Employee involvement

It is the policy of the Group to communicate with employees by regular briefing meetings conducted by senior management. The Group takes the approach of maximising performance through heightening 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.

Environmental policy and performance

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 an Environmental Policy with the following cornerstones:

- Overall responsibility for the implementation of these policies is the responsibility of the Executive Directors and the senior management at each Group company;.
- The Group aims to comply with both the letter and the spirit of relevant environmental regulations and to 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 and document measurable environmental objectives and to communicate these to all employees. These objectives are periodically reviewed. The Group ensures that the resources required to meet these objectives are allocated for this purpose; and

Directors’ report (continued)

- Employees are given such information, training and equipment as necessary to enable them to undertake their work with the minimum impact on the environment.

The Group had no notifiable environmental incidents in 2023 (2022: nil).

Subsequent events

On 24 October 2023, the Group announced its intention to divest the Precision Machined Components division in order to strengthen the Group’s balance sheet and cash position and support strategic investment into Chesterfield Special Cylinders.

On 14 November 2023, the Group exited its existing Revolving Credit Facility, provided by Lloyds Banking Group, by arranging a new Term Loan facility of £1.5 million with Rockwood Strategic plc and Peter Gyllenhammar AB, two of its major shareholders. The new Term Loan is committed for a period of 5 years and is secured against the assets of the Group. The new loan was drawn in full and used to repay Lloyds in full, settle transaction costs and to provide general working capital headroom.

In conjunction with the provision of the new Term Loan, Rockwood and Gyllenhammar were issued with 1,933,358 warrants in aggregate (representing 5% of the issued share capital) to subscribe for ordinary shares in the Company at a price of 32 pence per share, representing a 20% premium to the closing share price on 23 October 2023 (being the day prior to the announcement of the new facility). The warrants may be exercised at any time in the 5 years following drawdown of the new facility and continue to be exercisable in the event the facility is repaid before its final expiry.

Rockwood Strategic plc is a quoted unit trust whose funds are managed by Harwood Capital LLP, thereby placing it under the control of Richard Staveley, a Non-Executive Director of the Company. Rockwood Strategic plc is therefore considered to be a related party under “IAS 24 - Related Party Disclosures”.

Cautionary statement on forward-looking statements and related information

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

By order of the Board,

Chris Walters
Chief Executive
29 January 2024

Audit and Risk Committee report

Terms of reference

The Group's Audit and Risk Committee ("ARC") includes at least two Non-Executive Directors and is chaired by Mike Butterworth.

The ARC'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; and
- Review the Company's procedures for handling reports by "whistleblowers".

The ARC meets not less than three times a year to consider audit, governance and risk management and forms sub-groups to address specific matters as necessary outside of these meetings. All members attended all three meetings during the year.

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

Corporate governance

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 ARC. Corporate Governance will be continually monitored and reviewed formally by the ARC annually, following the publication of the report and accounts each year.

Change of auditor

The Group's external auditor is Cooper Parry Group Limited ("Cooper Parry"). Cooper Parry were appointed on 14 September 2023 at the conclusion of a competitive tender process initiated following the resignation of Grant Thornton on 23 May 2023.

The tender was structured to provide a comparison of the service offering of three alternative firms, assessing industry knowledge, public market experience, reputation, resourcing and fees. Members of the ARC and the CFO met two short-listed firms and unanimously recommended the appointment of Cooper Parry as external auditors.

External audit process

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

The ARC formally met with the external auditor two times during the year as follows:

- after the conclusion of the full-year FY22 audit when the audit findings were presented (with Grant Thornton); and
- to approve the planning memorandum for the FY23 audit (with Cooper Parry).

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

Market Abuse Regulation and Dealing Code

The ARC periodically reviews the impact of the UK Market Abuse Regulation (UK MAR) on the Company's share Dealing Code.

Audit and Risk Committee Report (continued)

The Dealing Code applies to Directors and employees of the Group who are considered to handle inside information as defined under UK MAR. The Group maintains a list of such individuals (“Insiders List”) and required them to obtain written permission from the CFO prior to undertaking any share dealing activity. In addition, Persons Discharging Managerial Responsibilities are subject to additional internal and external reporting requirements under the Dealing Code.

The ARC also periodically reviews the relationship of the Company with our stockbrokers and analysts.

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:

- Governance 20%
- Risk management 20%
- Financial reporting 35%
- Audit 25%

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 19 to 23.

The ARC 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 ARC 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.

Going concern

These financial statements have been prepared on the going concern basis. A detailed explanation of the adoption of this basis of preparation is included on pages 49 to 50.

The Directors have prepared financial projections for the period to September 2025 and these demonstrate that the Group can operate within its existing financing facilities and meet is financial obligations as they fall due.

The possibility of delays to the performance of the large naval contract in CSC and delays to winning new hydrogen orders have been identified as key risks to the financial projections prepared by management to September 2025.

However, having considered:

- the low likelihood of material delays in the large naval contract;
- the possibility that new hydrogen orders are subject to significant delays;
- 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; and
- the successful refinancing completed in November 2023;

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 12 months from the signing date of these financial statements. Based on the above, the ARC concluded that the application of the going concern basis for the preparation of the Annual Report and Financial Statements remained appropriate with no material uncertainty identified in relation to Going Concern.

Audit and Risk Committee Report (continued)

CSC Impairment Review

In FY23 CSC's revenues were heavily weighted towards the UK defence sector. In the next year, CSC is expected to transition towards the global defence and hydrogen energy markets, reducing some of its dependency on UK defence contracts. CSC is expected to generate lower revenue and earnings over the short-term with the rate of growth of revenue and the level of achievable margins from these new markets subject to risk over the medium-term. This change in the composition of CSC's revenues and the requirement to penetrate new markets is considered a potential indicator of asset impairment. Therefore, an impairment review has been conducted on CSC.

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 five 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 CSC over the next five years in order to generate a value-in-use calculation. Management have also prepared a reasonably plausible sensitivity analysis to its core assumptions to generate a sensitised value-in-use for CSC.

The value-in-use calculations indicate that no impairment was required in the current year. The ARC considered the value-in-use calculations prepared by management, including the reasonableness of the underlying assumptions and sensitivity analysis, and confirmed the conclusion that no impairment was required.

PMC Impairment Review

PMC is heavily exposed to the oil and gas sector which is subject to significant geopolitical influences giving rise to periods of short-term volatility. From a longer-term perspective, the oil and gas sector is expected to undergo gradual but consistent decline, exhibiting “sunset” characteristics as major Western economies transition towards low carbon and green energy sources to deliver on net-zero commitments. This trend is likely to limit the long-term planning horizon for the Oil & Gas sector to a 20-30 year period. These external factors are considered to be potential indicators of asset impairment. Therefore, an impairment review has been conducted on PMC.

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 five 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 PMC over the next five years in order to generate a value-in-use calculation. Management have also prepared a reasonably plausible sensitivity analysis to its core assumptions to generate a sensitised value-in-use for PMC.

The value-in-use calculations indicate that no impairment was required in the current year. The ARC considered the value-in-use calculations prepared by management, including the reasonableness of the underlying assumptions and sensitivity analysis, 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 88. 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 ARC has reviewed the key assumptions behind these valuations, notably the expected development of future cash flows, 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 refinance 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, management consider that no further impairment is required to the carrying value of freehold property. The ARC considered the valuation and confirmed that no impairment was required.

Audit and Risk Committee Report (continued)

Exceptional costs

The classification of Exceptional costs was considered by the ARC due to their nature and value.

For the current year, Exceptional costs related to professional fees incurred in the proposed refinancing the banking facilities of the Group during the year, corporate finance advisory fees exploring the potential sale of PMC in the first-half of the year and the costs of re-organising the senior management of the Group.

The ARC reviewed reports from management outlining the accounting policy on the classification of Exceptional costs (see accounting policy 26, page 58) 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.

Prior period adjustment - Company only financial statements

During the course of the year, the Company reviewed its past accounting treatment in respect of share option costs relating to its subsidiary companies between the years FY08 and FY19 and concluded that the treatment previously adopted incorrectly increased both its distributable reserves and its investment in subsidiaries. As a result, the Company only financial statements for FY21 and FY22 are restated with investments in subsidiaries, retained earnings and net assets all reduced by £718,000. There is no impact on the retained earnings or net assets of the Group.

The ARC reviewed reports from management outlining this matter and concluded that it was appropriate to make the prior year adjustment in the company-only accounts.

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 ARC, who is the nominated contact for the third-party provider, in the year.

By order of the Board,

Mike Butterworth
Chair of the Audit & Risk Committee
29 January 2024

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

Opinion

We have audited the financial statements of Pressure Technologies PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity, and the related 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 the parent company's affairs as at 30 September 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international reporting 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.

Our approach to the audit

We adopted a risk-based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces. The key elements of our audit approach were as follows:

The audit team evaluated each component of the Group by assessing its materiality to the Group as a whole. This was done by considering the percentage of total Group net assets, revenues / losses and profit before tax which each component represented.

From this, we determined the significance of the component to the Group as a whole, and devised our planned audit response. In order to address the audit risks described in the Key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, Pressure Technologies plc, and all of the Group's material trading subsidiaries, providing 94% coverage of revenues and £1,147,000 of consolidated loss before tax and 94% of net assets. Entities subject to review-scope audit procedures made up 6% of the consolidated revenue and £31,000 profit. We applied analytical procedures to the statement of financial position and income statement of each of the entities subject to review scope, focussing on risk areas identified, and their significance to the Group's balances.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which 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.

Revenue recognition

The Group generates revenue from a number of streams as detailed in note 1. Given the material nature of revenue and the variety of methods and segments it is generated through, the appropriateness of revenue recognition and management's application of the Group's revenue recognition accounting policies and key estimates made represent an area of significant judgement in the financial statements.

Our response to the risk:

We have assessed accounting policies for consistency and appropriateness with the financial reporting framework and in particular that revenue was recognised when performance obligations were fulfilled. In addition, we reviewed for the consistency of application as well as the basis of any recognition estimates.

We have obtained an understanding of processes through which the businesses initiate, record, process and report revenue transactions.

We performed walkthroughs of the processes as set out by management, to ensure controls appropriate to the size and nature of operations are designed and implemented correctly throughout the transaction cycle.

We tested contract revenue recognised over time through the input and output method to gain assurance over the completeness, existence and accuracy of reported revenue.

We performed cut-off procedures on both product and service revenue to test transactions around the year end and verified a sample of revenue to originating documentation to provide evidence that transactions were recorded in the correct year, paying particular attention to services which span the financial year end.

Our procedures did not identify any material misstatements in the revenue recognised during the year.

Impairment of non-current assets (parent company only)

The Company has significant balances in relation to investments and intercompany debtors. The Company's assessment of carrying values requires significant judgement in forecasting future trading performance of subsidiaries.

Our response to the risk:

We obtained and reviewed the impairment review prepared by management in relation to non-current assets.

We assessed the key assumptions used in those impairment review calculations, to ensure that they were reasonable, those being;

- Identification of CGUs and the trade relating to them;
- Discount rate applied; and
- Growth assumptions within trading forecasts.

We performed sensitivity analysis to determine whether an impairment would be required if actual growth is not in line with the forecast assumptions.

We were satisfied with the level of disclosure made in the statements and our procedures did not identify any material misstatements in the significant balances noted.

Going concern

In the previous year the financial statements disclosed a material uncertainty in relation to going concern due to a lack of certainty over replacement funding. At 30 September 2023 the Group has £907,000 (2022: £2,407,000) bank borrowings repayable within the next 12 months and has also generated a cash outflow of £838,000 (2022: £1,434,000). Accordingly, we consider going concern to represent a key audit matter.

Our response to this key audit matter is discussed below within conclusions relating to going concern.

Our application of materiality

The materiality for the Group financial statements as a whole was set at £319,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1% of Group revenue as presented in the Group Income Statement. In determining the level of testing to be performed during our audit work, we applied performance materiality of £239,250.

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

The materiality for the parent company financial statements as a whole was set at £287,000, capped at 90% of Group materiality. This has been determined with reference to the parent company's net assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 5% of net assets as presented on the face of the parent company's Statement of Financial Position. In determining the level of testing to be performed during out audit work, we applied performance materiality of £215,000.

Conclusions relating to going concern

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 the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- reviewing management's cash flow forecasts for a period of 12 months from the date of approval of these financial statements;
- assessing the reasonableness of management's forecasts & assumptions and assessing remaining cash headroom within those forecasts; and
- reviewing results post year end to the date of approval of these financial statements and assessing them against original budgets.
- reviewing covenant compliance in the year and assessed forecast covenant compliance to gain assurance that covenants are likely to not be breached.
- reviewing financing agreements entered into post year end and assessing any new covenants and other key terms of these agreements.

From our work we noted that the Group has positive cash balances, and its forecasts support the directors' assessment that the group will continue to be able to meet its liabilities as they fall due.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 included in 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 course of 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 this gives rise to a material misstatement in the financial statements themselves 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.

Opinions on other matters prescribed by the Companies Act 2006

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.

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors’ Report.

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 page 33-34, 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 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Our assessment focused on key laws and regulations the Group and parent company have to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, AIM listing rules, UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice (UK GAAP) and relevant tax legislation in the jurisdictions in which the Group operates.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Group and parent company and how the Group and parent company is complying with that framework by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through review of Board minutes for instances of non-compliance;
- obtaining an understanding of the entity’s policies and procedures and how the entity has complied with these, through discussions and walkthrough testing of controls;
- obtaining an understanding of the Group and parent company’s risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment;
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness with a focus on manual journals and those posted directly to the consolidation that increased revenue or that reclassified costs from the statement of comprehensive income to the balance sheet, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias; and
- reviewing a sample of contracts, understanding the rationale for the stage of completion and assessing the profit take on them.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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 parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Cooper Parry Group Limited

Melanie Hopwell (Senior Statutory Auditor)
For and on behalf of Cooper Parry Group Limited
Statutory Auditor
Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby DE74 2SA

29 January 2024

Consolidated statement of comprehensive income

For the 52 week period ended 30 September 2023

	Notes	**52 weeks ended 30 September 2023 £'000**	52 weeks ended 1 October 2022 £'000
Revenue	1	**31,944**	24,939
Cost of sales		**(23,001)**	(19,680)
Gross profit		**8,943**	5,259
Administration expenses		**(8,398)**	(7,883)
Operating profit / (loss) before amortisation and exceptional costs		**545**	(2,624)
Separately disclosed items of administration expenses:			
Amortisation	5	**-**	(101)
Exceptional costs	6	**(1,255)**	(968)
Total administration expenses		**(9,653)**	(8,952)
Operating loss		**(710)**	(3,693)
Finance costs	3	**(406)**	(292)
Loss before taxation	4	**(1,116)**	(3,985)
Taxation	10	**437**	(52)
Loss for the period attributable to the owners of the parent		**(679)**	(4,037)
Other comprehensive income / (expense) to be reclassified to profit or loss in subsequent periods:			
Currency exchange differences on translation of foreign operations		**12**	(5)
Total other comprehensive income / (expense)		**12**	(5)
Total comprehensive expense for the period attributable to the owners of the parent		**(667)**	(4,042)
Basic loss per share			
From loss for the period	11	**(1.8)p**	(13.0)p
Diluted loss per share			
From loss for the period	11	**(1.8)p**	(13.0)p

The accounting policies on pages 49-58 and the notes on pages 59-85 form part of these financial statements.

Consolidated statement of financial position

As at 30 September 2023

	Notes	30 September 2023 £'000	1 October 2022 £'000
Non-current assets			
Intangible assets	13	**-**	-
Property, plant and equipment	14	**10,287**	11,197
Deferred tax asset	23	**700**	663
		10,987	11,860
Current assets			
Inventories	16	**5,570**	4,566
Trade and other receivables	17	**9,384**	9,331
Cash and cash equivalents	28	**945**	1,783
Current tax		**58**	58
		15,957	15,738
Total assets		**26,944**	27,598
Current liabilities			
Trade and other payables	18	**(9,326)**	(9,477)
Borrowings - revolving credit facility	19	**(907)**	(2,407)
Lease liabilities	20	**(697)**	(839)
		(10,930)	(12,723)
Non-current liabilities			
Other payables	18	**(12)**	(32)
Lease liabilities	20	**(1,704)**	(2,037)
Deferred tax liabilities	23	**(712)**	(703)
		(2,428)	(2,772)
Total liabilities		**(13,358)**	(15,495)
Net assets		**13,586**	12,103
Equity			
Share capital	24	**1,933**	1,553
Share premium account		**1,699**	-
Translation reserve		**(253)**	(265)
Retained earnings		**10,207**	10,815
Total equity		**13,586**	12,103

The accounting policies on pages 49-58 and the notes on pages 59-85 form part of these financial statements.

The financial statements were approved by the Board on 29 January 2024 and signed on its behalf by:

S. Hammell

Steve Hammell
Chief Financial Officer
29 January 2024

Company Number: 06135104

Consolidated statement of changes in equity

For the 52 week period ended 30 September 2023

	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 2 October 2021		**1,553**	**-**	**(260)**	**15,784**	**17,077**
Prior period adjustment*	32	-	-	-	(1,054)	(1,054)
Restated balance at 2 October 2021		**1,553**	**-**	**(260)**	**14,730**	**16,023**
Share based payments	25	-	-	-	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**
Shares issued	24	380	1,699	-	-	2,079
Share based payments	25	-	-	-	71	71
Transactions with owners		380	1,699	-	71	2,150
Loss for the period		-	-	-	(679)	(679)
Other comprehensive income: Exchange differences on translating foreign operations		-	-	12	-	12
Total comprehensive income / (expense)		-	-	12	(679)	(667)
Balance at 30 September 2023		**1,933**	**1,699**	**(253)**	**10,207**	**13,586**

*A restatement of the Consolidated statement of changes in equity for the year ended 2 October 2021 was undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 32).

The accounting policies on pages 49-58 and the notes on pages 59-85 form part of these financial statements.

Consolidated statement of cash flows

For the 52 week period ended 30 September 2023

	Notes	**52 weeks ended 30 September 2023 £'000**	52 weeks ended 1 October 2022 £'000
Operating activities			
Operating cash flow	26	**1,223**	1,787
Exceptional costs		**(1,255)**	(968)
Finance costs paid		**(406)**	(292)
Income tax refunded		**408**	138
Net cash (outflow) / inflow from operating activities		**(30)**	665
Investing activities			
Proceeds from sale of fixed assets		**178**	2,063
Purchase of property, plant and equipment		**(576)**	(536)
Net cash (outflow) / inflow from investing activities		**(398)**	1,527
Net cash (outflow) / inflow before financing		**(428)**	2,192
Financing activities			
Shares issued (net of transaction costs)		**2,079**	-
Repayment of borrowings		**(1,500)**	(2,366)
Repayment of lease liabilities		**(989)**	(1,260)
Net cash outflow from financing activities		**(410)**	(3,626)
Net decrease in cash and cash equivalents		**(838)**	(1,434)
Cash and cash equivalents at beginning of period		**1,783**	3,217
Cash and cash equivalents at end of period		**945**	1,783
Bank borrowings		**(907)**	(2,407)
Lease liabilities		**(2,401)**	(2,876)
Net Debt	27	**(2,363)**	(3,500)

The accounting policies on pages 49-58 and the notes on pages 59-85 form part of these financial statements.

Accounting policies

1. 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 86 to 98. 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 30 September 2023. The consolidated financial statements have been prepared on a going concern basis.

2. 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 19 to 23.

The Directors must consider and determine whether the Group has sufficient financial resources to meet its obligations as they fall due for a period of not less than 12 months from the date of approval of these accounts.

In making this assessment, the Directors have considered a range of factors, including the prospects for the markets the Group serves; the position and intentions of competitors; the customer base of the Group and any reliance on a small number of customers; the supply chain of the Group and any reliance on key suppliers; staff attrition and the risk of losing any key members of staff; any actual or threatened litigation; relationships with HMRC and regulators; historic, current and projected financial performance and cash flows; relationships with debt and equity funders and the likely availability of external funding; and the plans and intentions of management. The Directors have also considered the economic backdrop and geopolitical risks to economic activity from the Russia-Ukraine conflict and instability in the Middle East.

In undertaking their assessment, the Directors have prepared financial projections for a period of at least 12 months from the date of approval of these accounts. The current economic conditions have introduced additional uncertainty into the Directors assessment, such that future potential outcomes are more difficult to estimate. The Directors have therefore considered a number of sensitivities to their projections to quantify potential downside risks to future financial performance.

On 14 November 2023, the Group exited its Revolving Credit Facility with Lloyds Bank by raising a new term loan facility ("the Facility") of £1.5 million from two of its major shareholders. The Facility is committed for a period of five years and is not subject to any financial covenant tests. The Facility is subject to capital repayments of £0.5 million during the projection period which have been factored into the Directors' assessment.

Management have produced projections for the period up to September 2025 for the Group, CSC and PMC, taking account of reasonably plausible changes in trading performance and market conditions, which have been reviewed by the Directors. In particular, the projections reflect that:

- the Group remains principally dependent on profitability at CSC;
- CSC is currently dependent on large UK defence contracts for its profitability. During the projection period, CSC is expected to undergo a period of transition, with revenue from UK defence contracts falling and revenue from the hydrogen energy market and global defence customers increasing. Over the short-term, this is expected to result in lower revenues and earnings for CSC, which is factored into the financial projections. However, there remain both internal and external risks to CSC's performance over the projection period;
- the recent significantly improved trading in the PMC division as oil and gas markets recover, following unprecedented order intake levels which have resulted in an order book of £9.4 million as at 30 September 2023, the highest ever order book level for the division.

Accounting policies (continued)

The base case forecast demonstrates that the Group is projected to:

- generate profits and cash in the current financial year and beyond; and
- generate sufficient cash to meet capital repayments under the Facility.

Management has also developed downside scenarios, which include consideration of the recent track record of not always achieving budgets. The downside scenario recognises the Group's dependence on the performance of large UK defence contracts, due to their materiality to the Group's overall results, and the requirement for CSC to win significant new contracts from the hydrogen energy market.

Management have modelled the downside scenario based on reasonably possible delays to:

- **Delivery of UK defence milestones and revenue recognition**
  Achievement of milestones on these types of contracts can be subject to uncertainties including 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.

- **Delays to placement of major orders from new hydrogen customers**
  Hydrogen energy is an emerging green energy market. Major UK and European projects have already been subject to significant delays which have impacted FY23 performance. Placement of major orders from new hydrogen customers is subject to uncertainties.

Other factors which could negatively impact the projections include:

- Weaker revenue from Integrity Management deployments due to customer delays; and
- The recent improvement in PMC revenue and order book not being sustained going forward due to weaker than expected oil and gas market conditions.

The Group believes that these other factors are individually less likely to be material to the achievement of the projections than potential delays in UK defence milestones and hydrogen orders, but in the event that they occur together with these risks, they may have a negative impact on cash flow at certain points in the projection period.

In the event of the delays identified above, 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 the current major UK defence 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.

The Directors also note that the Group has net current assets of £5.0 million at 30 September 2023.

Reflecting management's confidence in delivering large UK defence contracts and winning new hydrogen contracts, and having already refinanced its debt facilities, the Directors have concluded that the Group does have sufficient financial resources to meet its obligations as they fall due for the next 12 months and no material uncertainty relating to Going Concern has been identified.

The Group and Parent Company continue to adopt the going concern basis in preparing these financial statements. Consequently, these financial statements do not include any adjustments that would be required if the going concern basis of preparation were to be inappropriate.

3. New standards adopted in 2023

No new standards were applied during the year.

4. Amendments to IFRSs that are mandatorily effective for future years

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 year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Accounting policies (continued)

5. 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:

6. 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 21.

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 two valuations of this building which indicated that no impairment of this asset was required (see Note 14).

7. 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 16 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 21).

8. Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 September 2023 (2022: to 1 October 2022). 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.

9. 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 dependent upon the nature of the underlying contract and is determined by reference to:

- the costs that have been incurred as a proportion of the total costs of the forecasted contract (Input Method); or
- the physical work completed as a proportion of the total work expected on the contract with reference to certification procedures (Output Method).

The Cylinders division adopts both the Input Method and Output Method across its contract base. The Output Method is typically used when the contract includes definitive milestones that are 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)

10. 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.

11. Dividends

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

12. 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.

13. 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.

13. Intangible assets (continued)

Amortisation of 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

14. 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.

15. 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)

16. 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.

17. 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.

18. 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.

19. 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.

Accounting policies (continued)

19. Financial Instruments (continued)

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.

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.

20. 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').

Accounting policies (continued)

20. Impairment of financial assets (continued)

'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.

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.

21. 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.

22. 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.

23. 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

Accounting policies (continued)

23. Foreign currency translation (continued)

retranslated. The consolidated financial statements are presented in Pounds Sterling, which is also the functional currency of the parent company.

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

24. 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.

25. Pensions

The Group operates defined contribution pension schemes with the cost of Company contributions charged to the consolidated statement of comprehensive income in the period to which they relate.

26. Exceptional 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.

27. 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.

28. 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.

29. 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 internal reports prepared to measure the performance of operating units of the Group that are regularly reviewed by the Chief Executive to allocate resources. The Group has identified two operating segments which provide the main products and services of the Group:

- **Chesterfield Special Cylinders ("CSC" or "Cylinders")**: principal activity is the design, manufacture and reconditioning of seamless high pressure gas cylinders.
- **Precision Machined Components ("PMC")** : principal activity is the manufacture of specialised, precision engineered valve components used primarily in the oil and gas industries.

Each of these operating segments is managed separately as each utilises differing skills, processes, 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. Corporate and central overheads and assets not directly related to the business activities of any operating segment are not allocated to CSC or PMC and are included in "All other segments" below.

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 30 September 2023

	Cylinders £'000	Precision Machined Components £'000	All other segments £'000	Total £'000
Revenue from external customers*	**20,667**	**11,277**	**-**	**31,944**
Gross profit / (loss)	**7,042**	**1,939**	**(38)**	**8,943**
Adjusted EBITDA	**3,854**	**82**	**(1,847)**	**2,089**
Depreciation	(710)	(717)	(117)	**(1,544)**
Operating profit / (loss) before amortisation and exceptional costs	**3,144**	**(635)**	**(1,964)**	**545**
Exceptional costs	(236)	(57)	(962)	**(1,255)**
Operating profit / (loss)	**2,908**	**(692)**	**(2,926)**	**(710)**
Net finance costs	(69)	(145)	(192)	**(406)**
Profit / (loss) before tax	**2,839**	**(837)**	**(3,118)**	**(1,116)**
Segmental net assets**	10,477	1,971	1,138	**13,586**
Other segment information:				
Taxation credit / (charge)	254	189	(6)	**437**
Capital expenditure - property, plant and equipment	243	813	35	**1,091**

* Revenue from external customers is stated after deducting inter-segment revenue of £671,000 for Precision Machined Components.
** Segmental net assets comprise the net assets of each division adjusted to reflect the elimination of the cost of investment in subsidiaries and the provision of financing loans provided by Pressure Technologies plc.

Notes to the consolidated financial statements (continued)

1. Segment analysis (continued)

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**
Adjusted EBITDA	**1,088**	**(310)**	**(1,724)**	**(946)**
Depreciation	(679)	(790)	(209)	**(1,678)**
Operating profit / (loss) before amortisation and exceptional costs	**409**	**(1,100)**	**(1,933)**	**(2,624)**
Amortisation	-	(161)	60	**(101)**
Exceptional (costs) / income	(403)	50	(615)	**(968)**
Operating profit / (loss)	**6**	**(1,211)**	**(2,488)**	**(3,693)**
Net finance costs	(37)	(73)	(182)	**(292)**
Loss before tax	**(31)**	**(1,284)**	**(2,670)**	**(3,985)**
Segmental net assets**	7,330	2,596	2,177	**12,103**
Other segment information:				
Taxation credit / (charge)	50	(151)	49	**(52)**
Capital expenditure - property, plant and equipment	559	526	47	**1,132**

* Revenue from external customers is stated after deducting inter-segment revenue of £nil for Precision Machined Components.

** Segmental net assets comprise the net assets of each division adjusted to reflect the elimination of the cost of investment in subsidiaries and the provision of financing loans provided by Pressure Technologies plc. The FY22 Segmental net assets for Precision Machined Components and Other Segments have been restated due to a re-allocation of eliminating entries.

Notes to the consolidated financial statements (continued)

1. Segment analysis (continued)

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

Revenue	**2023**			2022		
	Cylinders £'000	**Precision Machined Components £'000**	**Total £'000**	Cylinders £'000	Precision Machined Components £'000	Total £'000
United Kingdom	**17,862**	**4,937**	**22,799**	12,406	3,720	16,126
France	**1,025**	**87**	**1,112**	2,958	68	3,026
Norway	**696**	**246**	**942**	885	272	1,157
USA	**2**	**1,593**	**1,595**	3	1,071	1,074
Romania	**-**	**2,281**	**2,281**	-	972	972
Italy	**-**	**537**	**537**	-	764	764
Taiwan	**158**	**-**	**158**	393	-	393
Netherlands	**75**	**-**	**75**	359	-	359
Germany	**140**	**-**	**140**	272	-	272
Singapore	**-**	**816**	**816**	-	21	21
Australia	**277**	**188**	**465**	19	142	161
Rest of Europe	**128**	**28**	**156**	157	8	165
Rest of World	**304**	**564**	**868**	131	318	449
	20,667	**11,277**	**31,944**	17,583	7,356	24,939

During the year, there was one customer who contributed to over 10% of Group revenue. This customer accounted for revenue of £13.6 million (42.5%) within the Cylinders segment (2022: two customers, £5.2 million (20.9%) and £2.6 million (10.5%), both reported in the Cylinders segment).

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

Revenue	**2023 £'000**	2022 £'000
Oil and gas	**11,751**	7,953
Defence	**17,188**	13,483
Industrial	**938**	1,099
Hydrogen energy	**2,067**	2,404
	31,944	24,939

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	**2023**		2022	
	Cylinders £'000	**Precision Machined Components £'000**	Cylinders £'000	Precision Machined Components £'000
Sale of goods transferred at a point in time	**3,843**	**10,903**	3,336	7,021
Sale of goods transferred over time	**15,397**	**-**	12,584	-
Rendering of services	**1,427**	**374**	1,663	335
	20,667	**11,277**	17,583	7,356

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 30 September 2023:

Revenue expected in future periods	£'000
Sale of goods - Cylinders	7,826

The asset and liability balances in relation to existing contracts as at 30 September 2023 are disclosed in Note 21.

2. Impairment Review

The Group tests annually for impairment, in accordance with IAS 36, if there are indicators that intangible or tangible fixed assets might be impaired.

The impairment methodology identifies two Cash Generating Units ("CGU's") within the Group, being CSC and PMC. Each CGU is assessed for potential indicators of impairment, including internal or external factors or events that could reduce the recoverable value of the fixed assets of the Group. If indicators of impairment are identified, a full impairment review is undertaken to determine the recoverable amount of the CGU.

The Directors exercise their judgment in determining the recoverable amount of a CGU, involving the use of estimates in relation to the future prospects of the CGU.

The recoverable amount of a CGU is determined using a discounted cashflow model that is based upon a five-year forecast period. The forecast takes into account the firm order book, sales pipeline and market opportunities of the CGU, together with expected gross margin performance and consideration of the cost base, planned capital expenditure and estimated working capital needs of the CGU. A long-term growth assumption is applied beyond the five-year forecast period. The future cashflows are then discounted to a present, recoverable value by applying a risk-adjusted pre-tax discount rate.

If the recoverable value of a CGU is less than the carrying value of its balance sheet, then an impairment charge may be required. The carrying value of the balance sheet is determined by application of the accounting policies of the Group.

In this reporting period, the Directors exercised their judgment on the basis of information available at 30 September 2023.

<u>CSC Impairment Review</u>

In FY23 CSC's revenues were heavily weighted towards the UK defence sector. In the next year, CSC is expected to transition towards the global defence and hydrogen energy markets, reducing some of its dependency on UK defence contracts. CSC is expected to generate lower revenue and earnings over the short-term with the rate of growth of revenue and the level of achievable margins from these new markets subject to risk over the medium-term. This change in the composition of CSC's revenues and the requirement to penetrate new markets is considered a potential indicator of asset impairment. Therefore, an impairment review has been conducted on CSC.

The Directors have assumed that CSC is successful in winning significant new contracts in the hydrogen energy market. However, the Directors expect that gross margin generation on hydrogen contracts may be somewhat lower than UK defence contracts which moderates the growth of Adjusted EBITDA in the forecast period.

The future cashflows of CSC have been extrapolated in perpetuity at a rate of 5% and discounted at a risk-adjusted pre-tax discount rate of 16%. On this basis, the recoverable value of CSC is estimated to be £18.9 million. The carrying value of the net assets of CSC at 30 September 2023, adjusting for cash, intercompany and deferred tax balances, was £8.2 million. On this basis, an impairment charge is not required.

Notes to the consolidated financial statements (continued)

The Directors have considered sensitivities to the future cashflows of CSC, in particular a significantly reduced level of hydrogen revenue in the period FY26-FY28, thereby reducing the value of CSC into perpetuity. Based on this sensitivity, the recoverable value of CSC is estimated to be £9.5 million. On this basis, an impairment charge is still not required.

The Directors have concluded that CSC does not require an impairment charge for FY23 in relation to the carrying value of its assets or the carrying value of its investment in its subsidiaries.

PMC Impairment Review

PMC is heavily exposed to the oil and gas sector which is subject to significant geopolitical influences giving rise to periods of short-term volatility. From a longer-term perspective, the oil and gas sector is expected to undergo gradual but consistent decline, exhibiting “sunset” characteristics as major Western economies transition towards low carbon and green energy sources to deliver on net-zero commitments. This trend is likely to limit the long-term planning horizon for the Oil & Gas sector to a 20-30 year period. These external factors are considered to be potential indicators of asset impairment. Therefore, an impairment review has been conducted on PMC.

In FY23 PMC’s revenues recovered strongly in the final quarter of the year based on a much higher rate of manufacturing activity. Based upon the robust order book and much more positive outlook for the oil and gas sector, PMC is expected to be able to maintain this increased rate of activity and grow in-line the broader global oil and gas market over the period FY25-FY28.

The future cashflows of PMC have been extrapolated beyond the forecast period for a further 20 years only, given that the oil and gas sector is expected to exhibit sunset characteristics over the medium- to long-term. The future cashflows have been subject to growth of 6% pa for the period FY29-FY38 and to a rate of decline of 2% pa for the period to FY39-FY48. Thereafter, no further cashflows are assumed.

The future cashflows of PMC have been discounted at a risk-adjusted pre-tax discount rate of 18%. On this basis, the recoverable value of PMC is estimated to be £9.1 million. The carrying value of the net assets of PMC at 30 September 2023, adjusting for cash, intercompany and deferred tax balances, was £5.8 million. On this basis, an impairment charge is not required.

The Directors have considered sensitivities to the future cashflows of PMC, in particular rate of growth in the period FY26-FY28, reducing the value of PMC in the extrapolation period to FY48. Based on this sensitivity, the recoverable value of PMC is estimated to be £6.6 million. On this basis, an impairment charge is still not required.

The Directors have concluded that PMC does not require an impairment charge for FY23 in relation to the carrying value of its assets or the carrying value of its investment in its subsidiaries.

Group Impairment Review

At Group level, the above assessments support a total recoverable value of £28.0 million. Allowing for assets held centrally of £1.9 million, the carrying value of the net assets of the Group, adjusting for cash, intercompany and deferred tax balances, was £15.9 million. On this basis, an impairment charge is not required.

On the basis of the sensitivities noted above, the total recoverable value of the Group falls to £16.1 million. On this basis, an impairment charge is still not required.

The Directors have concluded that the Group does not require an impairment charge for FY23 in relation to the carrying value of its assets or the carrying value of its investment in its subsidiaries.

The Directors are not aware of any other matters that would necessitate changes to their key estimates.

Notes to the consolidated financial statements (continued)

3. Finance costs

	2023	2022
	£'000	£'000
Interest receivable	**(2)**	-
Interest payable on bank loans and overdrafts	**193**	168
Interest payable on lease liabilities	**171**	124
Other interest payable	**44**	-
	406	292

4. Loss before taxation

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

	2023	2022
	£'000	£'000
Depreciation of property, plant and equipment - owned assets	**1,057**	1,114
Depreciation of property, plant and equipment - leased assets	**487**	564
Loss / (profit) on disposal of fixed assets	**170**	(327)
Amortisation of intangible assets	**-**	101
Amortisation of grants receivable	**(20)**	(66)
Staff costs - excluding share based payments (see Note 8)	**11,018**	9,234
Cost of inventories recognised as an expense	**12,089**	12,463
Share based payments (see Note 25)	**71**	122

Included in the profit on disposal of fixed assets in 2022 was 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

	2023 £'000	2022 £'000
Amortisation of intangible assets	**-**	101
	-	101

6. Exceptional costs

	2023 £'000	2022 £'000
Debt advisory services to refinance banking facilities	**373**	344
Debt advisory services on behalf of Lloyds Banking Group	**131**	-
Corporate finance services	**313**	-
Property costs	**-**	280
Final settlement for ERP system costs	**-**	193
Reorganisation costs	**309**	-
Historical contract settlement	**10**	88
Write-down of obsolete historic inventory	**111**	121
Reversal of inventory provision from prior year	**(3)**	(91)
New Long-Term Incentive Plan set up costs	**-**	33
Other	**11**	-
	1,255	968

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 were incurred in FY23.

7. Auditor's remuneration

	2023 £'000	2022 £'000
Fees payable to the Company's auditor for the audit of the Company and the consolidated financial statements	**45**	195
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**120**	90
Fees payable to the Company's auditor for non-audit services:		
- Tax advisory services	**-**	3
- Interim accounts review	**-**	22
- Other non-audit services	**-**	12

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:

	2023	2022
	£'000	£'000
Wages and salaries	**9,516**	7,972
Social security costs	**1,012**	813
Pension costs	**490**	449
Share based payments (see Note 25)	**71**	122
	11,089	9,356

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

	2023	2022
	No.	No.
Production	**161**	144
Selling and distribution	**10**	14
Administration	**36**	39
	207	197

9. Directors' remuneration

Particulars of Directors' remuneration are as follows:

	2023	2022
	£'000	£'000
Emoluments	**595**	597
Pension costs	**14**	13
Share based payments	**9**	15
	618	625

Please see the Report of the Remuneration Committee on pages 28-31 for full details of Directors' emoluments.

Emoluments include £53,533 (2022: £53,641) of taxable accommodation and travel expenses and £12,694 (2022: £13,298) of taxable allowance in lieu of employer pension contributions for Chris Walters (Chief Executive).

No Directors exercised any share options in the period. During the year retirement benefits were accruing to two (2022: one) Directors in respect of defined contributions schemes.

The highest paid Director received total emoluments of £283,000 and pension contributions of £nil (2022: total emoluments of £283,000 and pension contributions of £nil).

Notes to the consolidated financial statements (continued)

10. Taxation

	2023	2022
	£'000	£'000
Current tax credit		
Current tax charge	**-**	(7)
Over provision in respect of prior years	**409**	65
	409	58
Deferred tax credit / (charge)		
Origination and reversal of temporary differences	**144**	494
Under provision in respect of prior years	**(116)**	(604)
	28	(110)
Total taxation credit / (charge)	**437**	(52)

Corporation tax is calculated at 22% (2022: 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:

	2023	2022
	£'000	£'000
Loss before taxation	**(1,116)**	(3,985)
Theoretical tax credit at UK corporation tax rate 22% (2022: 19%)	**246**	757
Effect of (charges) / credits:		
- non-deductible expenses	**(76)**	(20)
- non-deductible exceptional items	**(181)**	(159)
- adjustments in respect of prior years	**293**	(539)
- unrealised (loss) / profit in overseas entities	**(4)**	34
- recognition and utilisation of losses brought forward	**159**	(125)
Total taxation credit / (charge)	**437**	(52)

An increase in the UK corporation tax rate to 25% was substantively enacted in May 2021 and took effect from 1 April 2023. The table above therefore uses the average rate of 22% for the current financial period.

As the most significant timing differences are not expected to unwind until 2024 or later, the deferred tax rate was maintained at 25% in the period.

11. Loss per ordinary share

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

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

Adjusted loss per share shows loss per share after adjusting for the impact of amortisation charges and any other exceptional items, and for the estimated tax impact, if any, of those costs. Adjusted loss per share is based on the loss as adjusted divided by the weighted average number of shares in issue.

On 6 December 2022, the Group completed an equity fundraise with the issue of 7,600,000 new ordinary shares (see Note 24).

For the 52 week period ended 30 September 2023

	£'000
Loss after tax	**(679)**
	Number of shares ('000)
Weighted average number of shares - basic	**37,400**
Dilutive effect of share options	446
Weighted average number of shares - diluted	**37,846**
Loss per share - basic and diluted	**(1.8)p**

The effect of anti-dilutive potential shares is not disclosed in accordance with IAS 33.

The Group adjusted loss per share is calculated as follows:

	£'000
Loss after tax	**(679)**
Exceptional costs (see Note 6)	**1,255**
Tax effect of the above adjustments	**(276)**
Adjusted profit	**300**
Adjusted earnings per share	**0.8p**

The tax effect is based on applying a 22% tax rate to the adjustment for exceptional costs.

Notes to the consolidated financial statements (continued)

11. Loss per ordinary share (continued)

For the 52 week period ended 1 October 2022

	£'000
Loss after tax	**(4,037)**

	Number of shares ('000)
Weighted average number of shares - basic	**31,067**
Dilutive effect of share options	661
Weighted average number of shares - diluted	**31,728**
Loss per share - basic and diluted	**(13.0)p**

The effect of anti-dilutive potential shares is not disclosed in accordance with IAS 33.

The Group adjusted loss per share is calculated as follows:

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

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

12. Dividends

No dividends have been declared or proposed for the 52 week period ended 30 September 2023 (52 week period ended 1 October 2022: no dividends declared or proposed).

Notes to the consolidated financial statements (continued)

13. Intangible assets

	Intellectual Property	IT systems & Software Licenses	Development expenditure	Non-contractual customer relationships	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 2 October 2021, 1 October 2022 and 30 September 2023	**2,796**	**684**	**175**	**11,880**	**15,535**
Amortisation					
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**
Charge for the period	-	-	-	-	-
At 30 September 2023	**2,796**	**684**	**175**	**11,880**	**15,535**
Net book value					
At 30 September 2023	**-**	**-**	**-**	**-**	**-**
At 1 October 2022	-	-	-	-	-

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 2 October 2021	940	5,255	18,627	24,822
Additions - Owned assets	378	-	158	536
Additions - Leased assets	-	399	197	596
Disposals	-	(1,429)	(2,541)	(3,970)
Transfers	(290)	-	290	-
At 1 October 2022	**1,028**	**4,225**	**16,731**	**21,984**
Additions - Owned assets	273	-	203	476
Additions - Leased assets	-	-	615	615
Write-off	(108)	-	-	(108)
Disposals	-	-	(1,077)	(1,077)
Transfers	(346)	-	346	-
At 30 September 2023	**847**	**4,225**	**16,818**	**21,890**
Depreciation and impairment				
At 2 October 2021	829	1,127	9,766	11,722
Charge for the period - Owned assets	-	136	978	1,114
Charge for the period - Leased assets	-	170	394	564
Disposals	-	(476)	(2,137)	(2,613)
At 1 October 2022	**829**	**957**	**9,001**	**10,787**
Charge for the period - Owned assets	-	14	1,043	1,057
Charge for period - Leased assets	-	98	389	487
Disposals	-	-	(728)	(728)
At 30 September 2023	**829**	**1,069**	**9,705**	**11,603**
Net book value				
At 30 September 2023	**18**	**3,156**	**7,158**	**10,287**
At 1 October 2022	199	3,268	7,730	11,197
Leased assets				
Carrying value at 30 September 2023	**-**	**521**	**2,618**	**3,139**
Carrying value at 1 October 2022	-	619	2,772	3,391

Notes to the consolidated financial statements (continued)

14. Property, plant and equipment (continued)

"Land and buildings" includes the CSC division's main manufacturing facility at Meadowhall Road, Sheffield, which is carried at cost. As part of discussions to refinance the Group's banking facilities 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.

For the prior year, the "Land and buildings" balance at 2 October 2021 included the freehold property occupied by Roota Engineering Limited, part of the PMC division. A sale and leaseback of this property was completed in July 2022. In FY22, to fully reflect this complex transaction, the property was treated as being disposed of and was then immediately re-recognised as a new right-of-use asset. The gross sale proceeds were £1.65 million and the gain on disposal of the property was £401,000 (see Note 4).

15. 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 93.

Pressure Technologies plc has issued guarantees over the liabilities of the following companies at 30 September 2023 under section 479C of the Companies Act 2006 (the "Act") and these companies are exempt from the Act relating to the audit of individual accounts by virtue of section 479A of the Act:

Company Name	Company Number
Roota Engineering Limited	0114 0986
Martract Limited	0140 6106
Al-Met Limited	0189 7307
Quadscot Holdings Limited	SC 430 424
Quadscot Precision Engineers Limited	SC 124 213

16. Inventories

	2023	2022
	£'000	£'000
Raw materials and consumables	**2,639**	2,611
Work in progress	**2,772**	1,938
Finished goods	**159**	17
	5,570	4,566

Inventories are stated net of provisions of £671,000 (2022: £339,000).

Historical inventory of £111,000 (2022: £121,000) was written-off in the year and recognised in the comprehensive income statement. This item was treated as an Exceptional cost (see Note 6) as it related to costs incurred in FY19.

During the year the Group reversed a £3,000 prior period obsolete inventory provision due to the sale of related stock during this period (2022: reversal of £91,000). The amount reversed has been included as a credit within Exceptional costs (see Note 6).

17. Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables	**6,422**	4,593
Contract assets	**1,568**	3,451
Other receivables	**481**	233
Prepayments and accrued income	**913**	1,054
	9,384	9,331

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

Notes to the consolidated financial statements (continued)

18. Trade and other payables

	2023	2022
	£'000	£'000
Amounts due within 12 months		
Trade payables	**5,369**	5,423
Contract liabilities	**218**	513
Other tax and social security	**1,240**	1,401
Accruals and other payables	**2,009**	1,685
Deferred income	**490**	455
Total due within 12 months	**9,326**	9,477

	2023	2022
	£'000	£'000
Amounts due after 12 months		
Deferred income	**12**	32
Total due after 12 months	**12**	32

With the exception of a portion of deferred income, all amounts are payable over the short-term. The carrying values of trade payables and other payables are considered to be a reasonable approximation to 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 May 2025. There are no unfulfilled conditions or other contingencies attached to the grants.

19. Borrowings

	2023	2022
	£'000	£'000
Current		
Revolving credit facility	**907**	2,407

During the period, the bank loans drawn under the Revolving Credit Facility ("RCF") had an average annual interest rate of 3.70% above LIBOR.

On 21 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.

On 23 June 2023, the Group's RCF was amended and the facility expiry accelerated from March 2024 to December 2023. In addition, Lloyds Bank agreed to waive the financial covenant tests due at 30 June 2023.

The Group's RCF was drawn at £0.9 million at 30 September 2023 (1 October 2022: £2.4 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.

Notes to the consolidated financial statements (continued)

19. Borrowings (continued)

The maturity profile of borrowing facilities are as follows:

	2023	2022
	£'000	£'000
Due for settlement within one year:		
Revolving credit facility	**907**	2,407

The Group had undrawn borrowing facilities of nil at the year-end (2022: nil).

Subsequent to the year-end, on 14 November 2023 the RCF was repaid in full from the proceeds of a new Term Loan facility arranged with two of the major shareholders of the Company (see Note 31 on page 85).

20. Lease Liabilities

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

	2023	2022
	£'000	£'000
Current		
Asset finance lease liabilities	**456**	629
Right of use asset lease liabilities	**241**	210
	697	839
Non-current		
Asset finance lease liabilities	**616**	735
Right of use asset lease liabilities	**1,088**	1,302
	1,704	2,037

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 prior 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 £851,000 (2022: £837,000). The increase was due to finance charges being allocated to a rent-free period.

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.

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.

20. Lease Liabilities (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 September 2023 were as follows:

	Within one year £'000	**Over one to five years £'000**	**Total £'000**
30 September 2023			
Lease payments	827	2,141	2,968
Finance costs	(130)	(437)	(567)
Net present value	**697**	**1,704**	**2,401**

	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

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.

21. Contract balances

	2023 £'000	2022 £'000
Contract assets (Note 17)	**1,568**	3,451
Contract liabilities (Note 18)	**(218)**	(513)
Net balance sheet position for ongoing contracts	**1,350**	2,938

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.

21. Contract balances (continued)

Release of contract liabilities and deferred income	**2023 £'000**	2022 £'000
Contract revenue recognised through release of contract liabilities and deferred income	**295**	835

22. 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 30 September 2023.

The Group held the following categories of financial instruments:

	2023 Total £'000	2022 Total £'000
Financial assets - amortised cost		
- Trade receivables	**6,422**	4,593
- Other receivables	**1,394**	1,287
- Cash and cash equivalents	**945**	1,783
	8,761	7,663

Notes to the consolidated financial statements (continued)

22. Financial instruments (continued)

	2023 Total £'000	2022 Total £'000
Financial liabilities - amortised cost		
- Trade payables	**5,369**	5,423
- Accruals and other payables	**2,007**	1,685
- Borrowings	**907**	2,407
- Lease liabilities	**2,401**	2,876
	10,684	12,391

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**
2023				
Trade and other payables	**7,376**	**-**	**-**	**7,376**
Bank borrowings	**936**	**-**	**-**	**936**
Amounts due under lease liabilities	**464**	**363**	**2,141**	**2,968**
	8,776	**363**	**2,141**	**11,280**

	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

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.

22. 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**	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Euro	**504**	1,257	**281**	2,468
US Dollar	**369**	236	**526**	387
Canadian Dollar	**2**	2	**-**	-
	875	1,495	**807**	2,855

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**	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Income / (charge) exposure	**20**	(110)	**(14)**	(14)

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 £23,000 (2022: £8,000).

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 30 September 2023 the largest customer within trade receivables accounted for 30% (2022: 12%) 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.

Notes to the consolidated financial statements (continued)

22. 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. Details of the Group's banking facilities are disclosed in Note 19.

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 19, leases disclosed in Note 20 and cash and cash equivalents disclosed in Note 28 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.

	2023 **£'000**	2022 £'000
Cash and cash equivalents	**945**	1,783
Debt - Revolving credit facility	**(907)**	(2,407)
Debt - Asset finance leases	**(1,072)**	(1,364)
Debt - Right of use asset leases	**(1,329)**	(1,512)
Net debt	**(2,363)**	(3,500)
Equity	**13,586**	12,103

Debt is defined as long and short-term borrowings, as detailed in Notes 19 and 20. Net debt is debt less cash and cash equivalents, as detailed in Note 28. Equity includes all capital and reserves of the Group attributable to equity holders of the parent. 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)

23. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereof 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 2 October 2021	(983)	61	243	749	70
Adjustments in respect of prior periods	186	-	(243)	(547)	(604)
Credit / (charge) to income	94	(16)	-	416	494
At 1 October 2022	(703)	45	-	618	(40)
Adjustments in respect of prior periods	**(116)**	**-**	**-**	**-**	**(116)**
Credit / (charge) to income	**107**	**(21)**	**-**	**58**	**144**
At 30 September 2023	**(712)**	**24**	**-**	**676**	**(12)**

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

	2023 £'000	2022 £'000
Non-current asset		
Deferred tax asset	**700**	663
Non-current liabilities		
Deferred tax liabilities	**(712)**	(703)
	(12)	(40)

The deferred tax assets are expected to be recoverable against future profits generated by the Group. The Group had unused tax losses of £9,582,000 (2022: £8,111,000) at year-end. The unrecognised deferred tax asset at year-end was £2,395,000 (2022: £2,028,000).

24. Called up share capital

	2023 No.	2022 No.	**2023 £'000**	2022 £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	**38,667,163**	31,067,163	**1,933**	1,553

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)

25. 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. The most recent 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. Members of the scheme are required to remain employees of the Group and make regular contributions.

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.

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

	2023 No.	**Weighted average exercise price**	2022 No.	Weighted average exercise price
Outstanding at the beginning of the period	**742,988**	**66.9p**	811,882	75.1p
Granted during the period	**-**	**-**	281,733	60.4p
Forfeited during the period	**(64,495)**	**64.2p**	(33,653)	72.7p
Cancelled during the period	**(298,599)**	**67.7p**	(189,584)	70.7p
Expired during the period	**(30,661)**	**99.2p**	(127,390)	97.6p
Outstanding at the end of the period	**349,233**	**63.9p**	742,988	66.9p

156,264 (2022: 30,661) of the outstanding options as at 30 September 2023 were exercisable at the end of the period. The options outstanding at 30 September 2023 had a weighted average remaining contractual life of 1.0 years (2022: 1.8 years). The terms of these options are as follows:

Date of grant	**Options outstanding at 30 September 2023**	**Vesting period**	**Market value at date of grant (p)**	**Exercise price (p)**	**Exercise period**
24 July 2020	156,264	3 years	96.0	66.0	6 months
30 July 2021	21,502	3 years	93.8	76.0	6 months
29 August 2022	171,467	3 years	73.0	60.4	6 months
Total options outstanding at 30 September 2023	**349,233**				

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

Notes to the consolidated financial statements (continued)

25. Share based payments (continued)

SAYE Valuation Model

The SAYE options were valued using the Black-Scholes model at the date of grant. The inputs into the Black-Scholes model for the most recent grant 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 SAYE 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 £71,000 (2022: £122,000). The charge is calculated in accordance with IFRS2, 'Share Based Payments'. A deferred tax charge of £nil (2022: charge of £243,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

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

During the course of the previous year, a new LTIP, the 2021 Value Creation Scheme ("VCS"), was introduced. The first awards under this scheme were made on 18 January 2022. This scheme is described in the Report of the Remuneration Committee.

The VCS grants of 18 January 2022 were deemed to be at a fair value of nil, given the prevailing share price of 72 pence was significantly below the hurdle price of 140 pence per share to trigger the scheme. As a result, the total charge to the consolidated statement of comprehensive income in the period in respect of the VCS was £nil (2022: £nil).

Notes to the consolidated financial statements (continued)

26. Reconciliation of operating profit to operating cash flow

	2023 £'000	2022 £'000
Adjusted Operating profit / (loss)	**545**	(2,624)
Adjustments for:		
Depreciation of property, plant and equipment	**1,544**	1,678
Share option costs	**71**	122
Release of grants	**(20)**	(66)
Loss / (profit) on disposal of property, plant and equipment	**170**	(327)
Write-off of assets under construction	**108**	-
Movement in translation reserve	**12**	-
Changes in working capital:		
Increase in inventories	**(1,003)**	(859)
Increase in trade and other receivables	**(53)**	(269)
(Decrease) / increase in trade and other payables	**(151)**	4,132
Operating cash flow	**1,223**	1,787

27. Net Debt Reconciliation

	Cash & Bank £'000	Bank Borrowings £'000	Leases £'000	Total £'000
At 2 October 2021	3,217	(4,773)	(3,355)	(4,911)
Cash flows	(1,434)	-	-	(1,434)
Repayments	-	2,366	1,260	3,626
New facilities - asset finance leases	-	-	(1,025)	(1,025)
Surrender - right of use asset leases	-	-	244	244
At 1 October 2022	**1,783**	**(2,407)**	**(2,876)**	**(3,500)**
Cash flows	(838)	-	-	(838)
Repayments	-	1,500	989	2,489
New facilities - asset finance leases	-	-	(482)	(482)
New facilities - right of use asset leases	-	-	(32)	(32)
At 30 September 2023	**945**	**(907)**	**(2,401)**	**(2,363)**

28. Cash and cash equivalents

	2023 **£'000**	2022 £'000
Cash at bank and in hand	**945**	1,783

29. Financial commitments

Pension commitments
As at 30 September 2023, pension contributions of £64,000 (2022: £2,000) 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.

30. Related party transactions

The Executive and Non-Executive Directors of the Group are considered to be key management personnel as defined under "IAS 24 - Related Party Disclosures".

Details of the remuneration of Directors is set out in the Remuneration Committee Report on pages 28-31 and in Note 9.

31. Subsequent events

On 24 October 2023, the Group announced its intention to divest the Precision Machined Components division in order to strengthen the Group's balance sheet and cash position and support strategic investment into Chesterfield Special Cylinders.

On 14 November 2023, the Group exited its existing Revolving Credit Facility, provided by Lloyds Banking Group, by arranging a new Term Loan facility of £1.5 million with Rockwood Strategic plc and Peter Gyllenhammar AB, two of its major shareholders. The new Term Loan is committed for a period of 5 years and is secured against the assets of the Group. The new loan was drawn in full and used to repay Lloyds in full, settle transaction costs and to provide general working capital headroom.

In conjunction with the provision of the new Term Loan, Rockwood and Gyllenhammar were issued with 1,933,358 warrants in aggregate (representing 5% of the issued share capital) to subscribe for ordinary shares in the Company at a price of 32 pence per share, representing a 20% premium to the closing share price on 23 October 2023 (being the day prior to the announcement of the new facility). The warrants may be exercised at any time in the 5 years following drawdown of the new facility and continue to be exercisable in the event the facility is repaid before its final expiry.

Rockwood Strategic plc is a quoted unit trust whose funds are managed by Harwood Capital LLP, thereby placing it under the control of Richard Staveley, a Non-Executive Director of the Company. Rockwood Strategic plc is therefore considered to be a related party under "IAS 24 - Related Party Disclosures".

32. Prior period adjustment

During the year ended 1 October 2022 ("FY22"), 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 had 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. During FY22, it was noted that this accounting treatment was not in compliance with IFRS 15, which requires that all costs incurred in the period relating to the contract should be immediately expensed. Specifically, the cost deferral historically adopted by the Group, to achieve a uniform contract profit margin, was not permitted. As a result, the financial statements for FY21 were restated with raw materials reduced by £625,000, work-in-progress reduced by £429,000 and net assets reduced by £1,054,000.

Company statement of financial position

As at 30 September 2023

	Notes	**30 September 2023 £'000**	Restated 1 October 2022 £'000
Non-current assets			
Investments	4	**5,052**	5,052
Property, plant and equipment	5	**2,695**	2,769
Deferred tax asset	12	**238**	212
		7,985	8,033
Current assets			
Receivables	6	**3,329**	3,944
Cash at bank and in hand		**20**	14
		3,349	3,958
Creditors: amounts falling due within one year			
Trade and other payables	7	**(4,157)**	(2,333)
Borrowings - revolving credit facility	8	**(907)**	(2,407)
Lease liabilities	9	**(20)**	(28)
Net current liabilities		**(1,735)**	(810)
Creditors: amounts falling due after more than one year			
Lease liabilities	9	**(16)**	(15)
Net assets		**6,234**	7,208
Capital and reserves			
Called up share capital	11	**1,933**	1,553
Share premium account	11	**1,699**	-
Profit and loss account	16	**2,602**	5,655
Equity shareholders' funds		**6,234**	7,208

The Company reported a loss after tax for the 52 week period ended 30 September 2023 of £3,054,000 (2022: loss after tax of £2,257,000).

The accounting policies and notes on pages 88-98 form part of these financial statements.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Approved by the Board on 29 January 2024 and signed on its behalf by:

Steve Hammell
Director
29 January 2024

Company statement of changes in equity

For the 52 week period ended 30 September 2023

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 2 October 2021	1,553	-	8,607	10,160
Prior period adjustment (Note 17)	-	-	(718)	(718)
Restated balance as at 2 October 2021	**1,553**	**-**	**7,889**	**9,442**
Share based payments	-	-	23	23
Transactions with owners	-	-	23	23
Loss for the period	-	-	(2,257)	(2,257)
Restated balance at 1 October 2022	**1,553**	**-**	**5,655**	**7,208**
Shares issued	380	1,699	-	2,079
Share based payments	-	-	1	1
Transactions with owners	380	1,699	1	2,080
Loss for the period	-	-	(3,054)	(3,054)
Balance at 30 September 2023	**1,933**	**1,699**	**2,602**	**6,234**

The accounting policies and notes on pages 88-98 form part of these financial statements.

Notes to the Company financial statements

1. Accounting policies

Statement of compliance

The financial statements of Pressure Technologies plc (“the Company”), the holding company of the Group, 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 £3,054,000 (2022: £2,257,000 loss) after applying a tax credit (Note 10) of £26,000 (2022: £70,000 credit) to the loss before tax of £3,080,000 (2021: £2,327,000 loss).

Going concern

The going concern status of the Company is inextricably linked to the Group. As explained in the Accounting Policies section to the consolidated financial statements (see pages 49-50), the Directors have concluded that it is appropriate to prepare the Consolidated financial statements on a going concern basis. 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:

- A statement of cash flows and related notes
- 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
- Capital management disclosures
- The effect of future accounting standards not adopted
- Certain share based payment disclosures
- Certain financial instruments disclosures

New Standards adopted in 2023

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)

Leased assets (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 includes the CSC division's main manufacturing facility at Meadowhall Road, Sheffield, which is leased to other Group companies. As part of discussions to refinance the Company's banking facilities 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 was required. The Directors are satisfied the carrying value of the Meadowhall Road site is comparable with market value (see Note 5).

Impairment reviews – Investment in subsidiaries

The Company has acquired, through business combinations and through other acquisitions, subsidiary companies and therefore holds investments in 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:

	2023 Number	2022 Number
Administration	**15**	15

Staff costs, including Directors:

	2023 £'000	2022 £'000
Wages and salaries	**1,516**	1,273
Social security costs	**181**	142
Other pension costs	**164**	149
Share based payments	**1**	23
	1,862	1,587

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, £45,000 was allocated to the Company.

4. Investments in subsidiary companies

	Investment in subsidiaries
Cost	**£'000**
At 1 October 2022	32,918
Prior period adjustment (Note 17)	(718)
Restated balance at 1 October 2022 and 30 September 2023	**32,200**
Impairment	
At 1 October 2022 and 30 September 2023	**(27,148)**
Net book value	
At 30 September 2023	**5,052**
At 1 October 2022 (Restated)	5,052

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 in Note 2 on pages 62-63 of 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 CSC division.
- No impairment was required in respect of the Company's investment in PT Precision Machined Components Limited that includes the operations of the PMC division.
- No impairment was required in Chesterfield Special Cylinders Limited in respect of its subsidiary undertakings.
- No impairment was required in PT Precision Machined Components Limited in respect of its subsidiary undertakings.

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

Name	Country of incorporation	Principal activity
Chesterfield Special Cylinders Limited	England & Wales	Manufacturing
PT Precision Machined Components Limited	England & Wales	Holding company
Chesterfield Cylinders Limited	England & Wales	Dormant
Chesterfield Pressure Systems Group Limited	England & Wales	Dormant
Chesterfield Tube Company Limited	England & Wales	Dormant
Precision Machined Components Limited	England & Wales	Dormant

The directly held subsidiaries of Chesterfield Special Cylinders Limited as at the balance sheet date, which are all 100% owned, are:

Name	Country of incorporation	Principal activity
CSC Deutschland GmbH	Germany	Sales and marketing
Chesterfield Special Cylinders Inc (formerly Hydratron Inc)	USA	Manufacturing

The directly held subsidiaries of PT Precision Machined Components Limited as at the balance sheet date, which are all 100% owned, are:

Name	Country of incorporation	Principal activity
Roota Engineering Limited	England & Wales	Manufacturing
Martract Limited	England & Wales	Manufacturing
Al-Met Limited	England & Wales	Manufacturing
Quadscot Holdings Limited	Scotland	Holding company

The directly held subsidiary of Quadscot Holdings Limited as at the balance sheet date, which is 100% owned, is:

Name	Country of incorporation	Principal activity
Quadscot Precision Engineers Limited	Scotland	Manufacturing

Quadscot Holdings Limited and Quadscot Precision Engineers 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.

Notes to the Company financial statements (continued)

4. Investments in subsidiary companies (continued)

Pressure Technologies plc has issued guarantees over the liabilities of the following companies at 30 September 2023 under section 479C of the Companies Act 2006 (the "Act") and these companies are exempt from the Act relating to the audit of individual accounts by virtue of section 479A of the Act:

Company Name	Company Number
Roota Engineering Limited	0114 0986
Martract Limited	0140 6106
Al-Met Limited	0189 7307
Quadscot Holdings Limited	SC 430 424
Quadscot Precision Engineers Limited	SC 124 213

5. Property, plant and equipment

	Land and Buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 October 2022	3,370	486	3,856
Additions - Owned assets	-	9	9
Additions - Leased assets	-	24	24
At 30 September 2023	**3,370**	**519**	**3,889**
Depreciation			
At 1 October 2022	744	343	1,087
Charge for the period - Owned assets	14	62	76
Charge for the period - Leased assets	-	31	31
At 30 September 2023	**758**	**436**	**1,194**
Net book value			
At 30 September 2023	**2,612**	**83**	**2,695**
At 1 October 2022	2,626	143	2,769
Leased assets			
Carrying value at 30 September 2023	**-**	**37**	**37**
Carrying value at 1 October 2022	-	43	43

Land and buildings includes the CSC division's main manufacturing facility at Meadowhall Road, Sheffield, which is leased to other Group companies. As part of discussions to refinance the Company's banking facilities during the prior 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 £2.6 million following an impairment charge of £0.7 million made in the period to 2 October 2021.

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.

Notes to the Company financial statements (continued)

6. Receivables

	2023 £'000	2022 £'000
Prepayments	**41**	116
Other debtors	**-**	135
Amounts owed by Group companies	**3,288**	3,693
	3,329	3,944

7. Trade and other payables

	2023 £'000	2022 £'000
Trade creditors	**336**	323
Other tax and social security	**252**	136
Accruals	**152**	146
Amounts owed to Group companies	**3,417**	1,728
	4,157	2,333

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

8. Bank borrowings

	2023 £'000	2022 £'000
Amounts: falling due within one year		
Revolving credit facility	**907**	2,407

Details of bank borrowings are set out in Note 19 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 30 September 2023 the amount thus guaranteed by the Company was £nil (2022: £nil).

Subsequent to the year end, the revolving credit facility was fully paid off (see Note 15).

Notes to the Company financial statements (continued)

9. Lease liabilities

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

	2023 £'000	2022 £'000
Current		
Right of use asset lease liabilities	**20**	28
	20	28
Non-current		
Right of use asset lease liabilities	**16**	15
	16	15

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 5). 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 30 September 2023 were as follows:

	Within one year £'000	**Over one to five years £'000**	**Total £'000**
30 September 2023			
Lease payments	**22**	**17**	**39**
Finance costs	**(2)**	**(1)**	**(3)**
Net present value	**20**	**16**	**36**

	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

Notes to the Company financial statements (continued)

10. Taxation

	2023	2022
	£'000	£'000
Deferred tax		
Origination and reversal of temporary differences	**33**	424
Adjustment in respect of prior year	**(7)**	(354)
Total taxation credit	**26**	70

An increase in the UK corporation tax rate to 25% was substantively enacted in May 2021 and took effect from 1 April 2023. As the most significant timing differences are not expected to unwind until 2024 or later, the deferred tax rate was maintained at 25% in the period.

11. Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in Note 24 to the consolidated financial statements.

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.

12. Deferred tax

	2023	2022
	£'000	£'000
Opening deferred tax asset	**212**	142
Credit for the period	**26**	70
Closing deferred tax asset	**238**	212

The deferred tax asset is made up as follows:

	2023	2022
	£'000	£'000
Accelerated capital allowances	**(27)**	(30)
Unutilised losses	**263**	243
Other temporary differences	**2**	(1)
	238	212

13. Related party transactions

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

For details on other related party transactions, see Note 30 in the consolidated financial statements.

Notes to the Company financial statements (continued)

14. Ultimate controlling party

The Directors consider that the Company has no ultimate controlling party.

15. Subsequent events

On 24 October 2023, the Group announced its intention to divest the Precision Machined Components division in order to strengthen the Group's balance sheet and cash position and support strategic investment into Chesterfield Special Cylinders.

On 14 November 2023, the Group refinanced its existing Revolving Credit Facility, provided by Lloyds Banking Group, by arranging a new Term Loan facility of £1.5 million with Rockwood Strategic plc and Peter Gyllenhammar AB, two of its major shareholders. The new Term Loan is committed for a period of 5 years and is secured against the assets of the Group. The new loan was drawn in full and used to repay Lloyds in full, settle transaction costs and to provide general working capital headroom.

In conjunction with the provision of the new Term Loan, Rockwood and Gyllenhammar were issued with 1,933,358 warrants in aggregate (representing 5% of the issued share capital) to subscribe for ordinary shares in the Company at a price of 32 pence per share, representing a 20% premium to the closing share price on 23 October 2023 (being the day prior to the announcement of the new facility). The warrants may be exercised at any time in the 5 years following drawdown of the new facility and continue to be exercisable in the event the facility is repaid before its final expiry.

Rockwood Strategic plc is a quoted unit trust whose funds are managed by Harwood Capital LLP, thereby placing it under the control of Richard Staveley, a Non-Executive Director of the Company. Rockwood Strategic plc is therefore considered to be a related party under "IAS 24 - Related Party Disclosures".

16. Reserves

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

17. Prior period adjustment

During the year ended 30 September 2023 ("FY23"), the Company reviewed its past accounting treatment in respect of share option costs relating to its subsidiary companies between the years ended 27 September 2008 ("FY08") and 28 September 2019 ("FY19").

The Group and the subsidiary entities have consistently recognised all share option costs in their profit and loss account on a correct basis during this period.

However, during the period FY08 to FY15, the share option costs of the Company's subsidiaries were also credited to the Company's non-distributable reserves, with a corresponding debit to the Company's investment in subsidiaries balance. In the period FY16 to FY22, the cumulative position up to FY15 and subsequent annual credits were added to the Company's distributable reserves.

The accumulated share option costs included in the Company's investment in subsidiaries balance amounted to £718,000 during the period FY08 to FY19.

During FY23, the Company concluded that this treatment incorrectly increased both its distributable reserves and its investment in subsidiaries. As a result, the financial statements for FY21 and FY22 are restated with investments in subsidiaries reduced by £718,000, retained earnings reduced by £718,000 and net assets reduced by £718,000.

There is no impact on the retained earnings or net assets of the Group.

No dividends have been paid by the Company since 2016. For FY16, the Company had sufficient distributable reserves, after allowing for the cumulative impact to that point of the incorrect accounting treatment above, from which to distribute the actual dividends declared in that year. For the period FY08 to FY15, distributable reserves were not overstated and the Company had sufficient distributable reserves to distribute the actual dividends declared in each year during that period.

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