

21 March 2023

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR. Upon the publication of this announcement via a Regulatory Information Service, this inside information will be considered to be in the public domain.

Pressure Technologies plc

("Pressure Technologies", the "Group", or "the Company")

Update on FY22 Audit, AGM Resolutions and Current Trading

Pressure Technologies plc (AIM: PRES), the specialist engineering group, provides an update on the audit and the publication of its Annual Report & Accounts for the financial year ended 1 October 2022 ("FY22 Annual Report"), forthcoming AGM resolutions, and its current trading.

Audit Update

As part of the ongoing audit process in respect of the financial year ended 1 October 2022, the Board is now reviewing its accounting policy and past accounting treatment in respect of a small number of long-term defence contracts within its Chesterfield Special Cylinders division ("CSC").

Since FY19, the Group has consistently applied an accounting treatment whereby revenue for these specific defence contracts was recognised using an 'Output' methodology under IFRS 15, 'Revenue from Contracts with Customers' ("IFRS 15"), with costs being accrued to achieve a uniform profit margin throughout the multi-year life of the contracts, resulting in cost deferrals at financial period ends. Whilst this cost treatment impacted the timing of profit recognition between financial periods, it had no impact on either the total profitability of the contracts over their entire lives, nor the quantum or timing of cash flows.

The Company's auditor, Grant Thornton UK LLP ("Grant Thornton"), has advised the Company that this accounting treatment is not in compliance with IFRS 15, which requires that all costs incurred in the period relating to the contract should be immediately expensed. This means that cost deferral to achieve a uniform contract profit margin, as historically adopted by the Group, is not permitted.

Subject to final audit confirmation, as a result of a correct application of IFRS 15, the Group's results for FY22 are now expected to reflect a £1.2 million increase in operating losses over the £1.4 million adjusted operating loss¹ as notified in the trading update on 15 November 2022. The correct application of IFRS 15 has also been applied to prior periods FY19, FY20 and FY21. A restatement of the comparative period FY21 in the FY22 results will also be required, by which the previously reported operating loss² of £0.7 million will increase by £0.8 million. Adjustments made to operating profit or loss in FY19 and FY20 are individually not material, but do result in a reduction to FY21 opening reserves of £0.3 million.

However, as a consequence, there will be a corresponding increase in operating profits of £2.3 million over the remaining lives of these contracts, the majority of which is expected to be in FY23 and FY24.

It is emphasised that these accounting adjustments only impact the timing of profit recognition under these specific contracts. They do not impact the expected net debt position of the Group as at 1 October 2022, the future cash generation profile of the Group, nor the underlying trading or operations of the business.

The Board's expectations for overall Group revenue of approximately £25 million in FY22 remains unchanged and as set out in the trading update on 15 November 2022.

Publication of FY22 Annual Report

Accordingly, Grant Thornton has advised that they will require additional time to complete the FY22 audit and, as a result, the Group is unlikely to publish its FY22 Annual Report ahead of the Annual General Meeting ("AGM") which is scheduled for 31 March 2023.

In the event that the FY22 Annual Report is not published by 31 March 2023, the Company's ordinary shares will be suspended from trading on AIM in accordance with AIM Rule 19 with effect from 7.30 a.m. on 3 April 2023, being the first business day after 31 March 2023. Suspension from trading will be lifted with the publication of the Annual Report, which will be as soon as possible and currently expected to be no later than the end of April 2023.

Annual General Meeting, Withdrawal of Resolutions

The Company will hold its AGM on Friday 31 March 2023 as previously announced. However, as a result of the expected delay to the publication of the FY22 Annual Report, the Board has decided to withdraw resolution 1 (relating to the approval of the FY22 Annual Report) and resolution 2 (relating to directors' remuneration) from the agenda of the AGM.

The withdrawal of resolutions 1 and 2 does not affect the validity of the Notice of AGM, the proxy form or any proxy votes already submitted in respect of the remaining resolutions to be proposed at the AGM. The numbering of all other proposed resolutions at the AGM remains unchanged. All arrangements for the AGM are unchanged from those previously notified.

The intention of the Board is that resolutions 1 and 2 will be the subject of a later General Meeting, which will be held as soon as reasonably practicable after publication of the FY22 Annual Report and subject to the notice requirements of the Company.

Trading Update

The Board remains confident in underlying market opportunities and continues to foresee a return to profitability and positive cash generation in FY23. The positive outlook for the Group in the medium and longer term is underpinned by a strong defence order book and pipeline, as most recently evidenced by the £18.2 million contract to supply air pressure vessels for a major UK naval new construction programme, announced on 6 February 2023. Also as noted above, compared to previous expectations, the results for FY23 and FY24 will benefit from a majority of the £2.3 million accounting treatment correction in respect of the long-term defence contracts within CSC.

In addition, the current order book for the Precision Machined Components division is £4.3 million, its highest level since May 2020, with order intake from established international OEM customers expected to reach at least £2 million for the month of March 2023.

Banking Facility

The Group continues to make progress with the replacement of its existing Lloyds Bank credit facility³ with arrangements that provide greater flexibility and headroom. With support from Ernst & Young, the refinancing project has now progressed to detailed conversations with interested lender parties. In the meantime, Lloyds Bank remains supportive of the Group, which will repay a further £0.5 million of the drawn debt out of existing cash resources at the end of March 2023, reducing the drawn debt and facility level to £1.9 million. Gross borrowings less cash and cash equivalents as at the end of February 2023 was £0.9 million⁴.

Further announcements will be made in due course as appropriate.

Notes:

1. *Operating loss before amortisation and exceptional administration charges. The trading update on 15 November 2022 referred to a potential downward impact to FY22 operating loss of c.£0.5 million due to 'FY17 to FY21 contract margin adjustments'. The correction of contract accounting treatment described in this announcement has superseded the previously disclosed historic contract margin adjustments.*
2. *Operating loss before amortisation, impairments and exceptional administration charges.*

3. *The current credit facility with Lloyds Bank runs to 31 March 2024.*
4. *Excludes asset finance leases of £1.1 million and right-of-use asset leases of £1.4 million at the end of February 2023.*

The person responsible for arranging the release of this announcement on behalf of Company is Chris Walters, Chief Executive.

For further information, please contact:

Pressure Technologies plc

Tel: 0330 015 0710

Chris Walters, Chief Executive

PressureTechnologies@houston.co.uk

Singer Capital Markets (Nomad and Broker)

Tel: 0207 496 3000

Rick Thompson / Asha Chotai

Houston (Financial PR and Investor Relations)

Tel: 0204 529 0549

Kay Larsen / Ben Robinson

COMPANY DESCRIPTION

www.pressuretechnologies.com

With its head office in Sheffield, Pressure Technologies was founded on its leading market position as a designer and manufacturer of high-integrity, safety-critical components and systems serving global supply chains in oil and gas, defence, industrial and hydrogen energy markets.

The Company has two divisions, Chesterfield Special Cylinders and Precision Machined Components.

Chesterfield Special Cylinders (CSC) - www.chesterfieldcylinders.com

- Chesterfield Special Cylinders, Sheffield, includes CSC Deutschland GmbH.

Precision Machined Components (PMC) - www.pt-pmc.com

- Precision Machined Components includes the Al-Met, Roota Engineering and Martract sites.

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