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Pressure Technologies PLC
23 May 2023

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Pressure Technologies plc

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

2022 Full-Year Results

Pressure Technologies (AIM: PRES), the specialist engineering group, announces its preliminary results for the 52 weeks to 1 October 2022, which are in line with the Group revenue and adjusted operating loss* previously announced by the Company on 21 March 2023.

As announced on 21 March 2023 and on 27 April 2023, the publication of the Company's Annual Report and Accounts for this period ("FY22 Annual Report") was delayed due the additional time required by the Company to correct a historic error related to the accounting treatment of certain long-term customer contracts since FY19, and the additional time required by the Company's auditor to finalise its audit report, which has now been completed. The audited Annual Report and Accounts has been published on the Company's website and will be posted to shareholders on Wednesday 24 May 2023.

As previously announced, results for the period reflect a £1.2 million increase in operating losses over the £1.4 million adjusted operating loss* notified in the earlier trading update on 15 November 2022, as a net result of correcting the application of IFRS 15 to certain long-term contracts in FY22 and in the prior periods FY19, FY20 and FY21. As a consequence, there will be a corresponding increase in reported profits of £2.3 million over the remaining lives of the relevant contracts in FY23, FY24 and FY25, while contract profitability over the entire duration of the contracts and the quantum and timing of cash flows remain unchanged.

Financial Results

- Revenue of £24.9 million (2021: £25.3 million)
- Adjusted operating loss* of £2.6 million (2021: £1.5 million operating loss***)
- Adjusted EBITDA loss** of £0.9 million (2021: £0.1 million EBITDA profit** ***)
- Loss before taxation of £4.0 million (2021: £5.0 million loss before taxation***)
- Basic loss per share of 13.0p (2021: loss per share 14.8p***)
- Net debt**** reduced to £3.5 million (2021: £5.0 million***)

* *Operating loss excluding amortisation, impairments and other exceptional costs.*

** *EBITDA profit/loss excluding impairments and other exceptional costs.*

*** *Comparative period financial results for 2021 have been restated. See Note 2 to the financial statements.*

**** *Net debt includes gross borrowings, asset finance leases, right of use asset leases, less cash and cash equivalents.*

Group Highlights

- Difficult trading conditions throughout the FY22 period reflected the challenging economic climate, supply chain disruptions and cost inflationary pressures impacting the Group's operations, customers and suppliers.
- Progress has continued against strategic priorities, while operational improvements and strengthened management underpin confidence in the outlook for the Group.

Chesterfield Special Cylinders

- Defence revenue increased to £13.5 million (2021: £11.1 million), reflecting the strong order book and new contract placements for submarine and surface ship projects for UK and overseas navies.
- Largest ever contract award of £18.2 million announced in February 2023 to supply safety-critical pressure vessels for major UK naval new construction project, with three-year manufacturing

programme to 2025.

- Hydrogen revenue increased to £2.4 million (2021: £2.2 million), while low order intake for refuelling station storage reflected the impact of industry-wide supply chain issues and cost inflation on customer projects.
- Operational improvements in the Sheffield facility are delivering increased capacity and efficiency for hydrogen cylinder and road trailer new build, inspection and testing services.
- Integrity Management revenue increased to £1.8 million (2021: £1.5 million), with strong performance in the first half, largely offset by postponed naval deployments in the second half.
- Enquiry levels for Integrity Management services from offshore services customers increased sharply during the first half of FY23, driven by growing activity in the oil and gas market.

Precision Machined Components

- Revenue increased to £7.3 million (2021: £6.4 million), reflecting the recovery of order intake later than expected in the fourth quarter of FY22.
- Order intake strengthened significantly during the first half of FY23, with order intake of £4.3 million in March 2023, the division's highest ever monthly order intake.
- Divisional order book of £7.6 million at the end of April 2023 is the highest order book level on record (April 2022: £2.2 million).

Strategic Progress

- Revolving credit facility with Lloyds Bank plc amended in October 2022 and facility term extended to March 2024.
- Review of funding options to replace the Lloyds Bank facility with new, more flexible arrangements continues. Refinancing expected to complete by the end of June 2023.
- Net proceeds of £2.1 million from Placing and Retail Offer in December 2022 to provide short-term working capital, whilst longer term financing options are being progressed.
- Chris Webster, Chief Operating Officer, joined the business in April 2022, providing strong leadership and delivering operational and performance improvements across all sites.
- Steve Hammell, Chief Financial Officer, joined the business on 2 May 2023, bringing considerable financial knowledge and experience from several senior leadership roles.
- Richard Staveley, a representative of Harwood Capital LLP joins the Board as Non-Executive Director on 23 May 2023, bringing considerable investment knowledge and experience.

Outlook

- Strong defence order book and pipeline for high-value naval contracts underpin confidence in FY23 performance for Chesterfield Special Cylinders.
- Opportunities for the supply of new hydrogen storage and demand for hydrogen transportation systems continue to develop, despite delays in the hydrogen energy supply chain.
- Increasing demand for in-situ and factory-based inspection, testing and recertification services for hydrogen static storage and road trailers present exciting growth opportunities.
- Continuing strength of order intake and recovery to modest EBITDA profit for the first half of FY23 underpin the full-year outlook for Precision Machine Components, as order book visibility improves for the first half of FY24.
- Robust order book, strengthened executive team and clear strategic focus underpin medium to long-term opportunities and the Board's confidence in meeting market expectations for FY23.

General Meeting

The Company held its Annual General Meeting ("AGM") on Friday 31 March 2023. However, as a result of the delay to the publication of the FY22 Annual Report, resolutions relating to the approval of the FY22 Annual Report and to directors' remuneration were withdrawn from the agenda of the AGM, with the intention of those resolutions being the subject of a later General Meeting.

The General Meeting to consider the previously withdrawn resolutions will take place on Tuesday 13 June 2023 at 09:30 am at the offices of Singer Capital Markets, 1 Bartholomew Lane, London EC2N 1AX.

Notice of FY23 Interim Results

The Company will publish its unaudited interim results for the half year ended 1 April 2023 by the end of June 2023.

END

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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.

Chair's statement

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

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

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

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

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

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

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

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

On 17 January 2023, we announced the appointment of Steve Hammell as Chief Financial Officer. Steve joined the business on 2 May 2023 and will join the Board from 23 May 2023, immediately after publication of the FY22 accounts. Steve takes over from James Locking who left the Board on 3 March 2023. We would like to thank James for his contribution and service to the business over the past four years and wish him every success for the future. Further to our announcement made on 21 March 2023, I am pleased to confirm that Richard Staveley will also join the Board from 23 May 2023.

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

Nick Salmon
Chair

Business and financial review

Overview

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

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

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

Chesterfield Special Cylinders

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

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

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

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

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

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

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

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

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

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

operators and new entrants.

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

Precision Machined Components

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

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

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

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

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

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

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

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

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

Financial review

Prior year restatement

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

Financing and cash flow

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

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

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

Central costs

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

Asset impairments and amortisation

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

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

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

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

Exceptional administration costs

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

Taxation

The tax charge for the year was £0.1 million (2021: tax credit £0.8 million). The current year tax charge was impacted by a £0.6 million under provision in respect of the prior year (2021: over provision £0.1 million).

Corporation tax refunded in the year totalled £0.1 million (2021: £nil). Taxes relating to overseas territories are minimal.

Foreign exchange

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

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

Loss per share and dividends

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

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

Statement of financial position

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

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

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

Bank facility, borrowings and liquidity

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

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

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

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

Going concern

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

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

Outlook

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

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

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

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

Chris Walters
Chief Executive

Consolidated statement of comprehensive income

For the 52 week period ended 1 October 2022

	Notes	52 weeks ended 1 October 2022 £'000	Restated 52 weeks ended 2 October 2021 £'000
Revenue	1	**24,939**	25,284
Cost of sales		**(19,680)**	(19,347)
Gross profit		**5,259**	5,937
Administration expenses		**(7,883)**	(7,460)
Operating loss before amortisation, impairment and exceptional administration costs		**(2,624)**	(1,523)
Separately disclosed items of administration expenses:			
Amortisation	5	**(101)**	(224)
Impairment	5	**-**	(1,773)
Exceptional administration costs	6	**(968)**	(1,044)
Total administration expenses		**(9,848)**	(10,501)
Operating loss		**(3,693)**	(4,564)

Finance costs	3	**(292)**	(412)
Loss before taxation	4	**(3,985)**	(4,976)
Taxation	7	**(52)**	772
Loss for the period attributable to the owners of the parent		**(4,037)**	(4,204)
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:			
Currency exchange differences on translation of foreign operations		**(5)**	33
Total other comprehensive (expense)/income		**(5)**	33
Total comprehensive expense for the period attributable to the owners of the parent		**(4,042)**	(4,171)
Basic loss per share			
From loss for the period	8	**(13.0)p**	(14.8)p
Diluted loss per share			
From loss for the period	8	**(13.0)p**	(14.7)p

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

Consolidated statement of financial position

As at 1 October 2022

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

Total liabilities	**(15,495)**	(14,911)	(21,774)
Net assets	**12,103**	16,023	13,038
Equity			
Share capital	**1,553**	1,553	930
Share premium account	**-**	-	26,172
Translation reserve	**(265)**	(260)	(293)
Retained earnings	**10,815**	14,730	(13,771)
Total equity	**12,103**	16,023	13,038

A restatement of the Consolidated statement of financial position as at 2 October 2021 and 3 October 2020 has been undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 2).

Consolidated statement of changes in equity

For the 52 week period ended 1 October 2022

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

A restatement of the Consolidated statement of changes in equity for the years ended 2 October 2021 and 3 October

2020 has been undertaken to correct an error which related to the incorrect treatment of certain contract accounting transactions (see Note 2).

Consolidated statement of cash flows

For the 52 week period ended 1 October 2022

	Notes	52 weeks ended 1 October 2022 £'000	52 weeks ended 2 October 2021 £'000
Operating activities			
Cash flows from operating activities	11	**819**	(6,166)
Finance costs paid		**(292)**	(412)
Income tax refunded		**138**	-
Net cash inflow/(outflow) from operating activities		**665**	(6,578)
Investing activities			
Proceeds from sale of fixed assets		**2,063**	477
Proceeds from repayment of promissory note		**-**	3,074
Purchase of property, plant and equipment		**(536)**	(1,325)
Net cash inflow from investing activities		**1,527**	2,226
Financing activities			
Repayment of borrowings		**(2,366)**	(2,000)
Repayment of lease liabilities		**(1,260)**	(1,805)
Shares issued net of transaction costs		**-**	7,024
Proceeds from asset financing		**-**	934
Net cash (outflow)/inflow from financing activities		**(3,626)**	4,153
Net decrease in cash and cash equivalents		**(1,434)**	(199)
Cash and cash equivalents at beginning of period		**3,217**	3,416
Cash and cash equivalents at end of period		**1,783**	3,217

Notes

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). The financial statements are made up to the Saturday nearest to the period end for each financial period.

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

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

The summary accounts set out above do not constitute statutory accounts as defined by Section 434 of the UK Companies Act 2006. The summarised consolidated statement of comprehensive income, the summarised consolidated balance sheet at 1 October 2022, the summarised consolidated statement of comprehensive income, the summarised consolidated statement of changes in equity and the summarised consolidated statement of cash flows for the period then ended have been extracted from the Group's 2022 statutory financial statements upon which the auditor's opinion is unqualified, includes an emphasis of matter in respect of going concern, and did not contain a statement under either sections 498(2) or 498(3) of the Companies Act 2006. The audit report for the period ended 2 October 2021 did not contain statements under sections 498(2) or 498(3) of the Companies Act 2006. The statutory financial statements for the period ended 2 October 2021 have been delivered to the Registrar of Companies. The 1 October 2022 accounts were approved by the directors on 22 May 2023, but have not yet been delivered to the Registrar of Companies.

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 Financial Reporting Council issued its "Annual Review of Corporate Reporting 2020/21" in October 2021. The Directors have considered this when preparing these financial statements.

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

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

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

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

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

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

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

Other factors which could negatively impact the forecasts include:

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

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

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

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

New standards adopted in 2022

No new standards were applied during the year.

Amendments to IFRSs that are mandatorily effective for the current year

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

Notes to the consolidated financial statements

1. Segment analysis

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

For the 52 week period ended 1 October 2022

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

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

Notes to the consolidated financial statements (continued)

1. Segment analysis (continued)

Restated for the 52 week period ended 2 October 2021

	Precision Machined	All other

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

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

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

Notes to the consolidated financial statements (continued)

1. Segment analysis (continued)

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

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

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

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

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

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

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

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

1. Segment analysis (continued)

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

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

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

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

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

During the year, the Group reviewed its accounting policy and past accounting treatment in respect of a

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

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

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

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

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

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

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

Effect on FY22:

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

Amount by which income items would have been changed:	£'000
Cost of sales - higher by	1,054
Gross profit - reduced by	1,054
Operating loss - increased by	1,054
Loss for the period attributable to the owners of the parent - increased by	1,054

3. Finance costs

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

4. Loss before taxation

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

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

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

5. Amortisation and Impairment

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

6. Exceptional administration costs

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

Property costs relate to two closed sites of a formerly owned entity The leases relating to this former entity have

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

7. Taxation

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

Notes to the consolidated financial statements (continued)

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

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

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

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

8. Loss per ordinary share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary

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

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

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

For the 52 week period ended 1 October 2022

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

Notes to the consolidated financial statements (continued)

8. Loss per ordinary share (continued)

The Group adjusted loss per share is calculated as follows:

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

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

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

Restated for the 52 week period ended 2 October 2021

	Total £'000
Loss after tax	(4,204)

	No.
Weighted average number of shares - basic	28,463,119
Basic loss per share	(14.8)p
Diluted loss per share	(14.8)p

The Group adjusted loss per share is calculated as follows:

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

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

Notes to the consolidated financial statements (continued)

9. Borrowings

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

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

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

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

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

The maturity profile of borrowing facilities are as follows:

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

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

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

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

Notes to the consolidated financial statements (continued)

10. Lease Liabilities

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

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

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

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

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

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

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

	Within one year £'000	**Over one to five years £'000**	**Total £'000**
1 October 2022			
Lease payments	963	2,512	3,475

Finance costs	(124)	(475)	(599)
Net present value	**839**	**2,037**	**2,876**

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

Notes to the consolidated financial statements (continued)

10. Lease Liabilities (continued)

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.

11. Consolidated cash flow statement

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

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

12. Net Debt Reconciliation

	Borrowings £'000	**Leases £'000**	**Cash & Bank £'000**	**Total £'000**
Cost				
At 3 October 2020	(6,773)	(4,052)	3,416	(7,409)
Cash flows	-	-	(199)	(199)
Repayments	2,000	1,805	-	3,805
New facilities - asset finance leases	-	(934)	-	(934)
New facilities - right of use leases	-	(174)	-	(174)

At 2 October 2021	(4,773)	(3,355)	3,217	(4,911)
Cash flows	-	-	(1,434)	(1,434)
Repayments	2,366	1,260	-	3,626
New facilities - right of use leases	-	(1,025)	-	(1,025)
Surrender - right of use leases	-	244	-	244
At 1 October 2022	**(2,407)**	**(2,876)**	**1,783**	**(3,500)**

Notes to the consolidated financial statements (continued)

13. Subsequent events

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

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

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

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