RNS Number : 6636T
Pressure Technologies PLC
25 June 2024

The information contained within this announcement is deemed by the Group 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 Group'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.

25 June 2024

Pressure Technologies plc

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

2024 Interim Results

Pressure Technologies (AIM: PRES), the specialist engineering group, is pleased to announce its unaudited interim results for the 26 weeks to 30 March 2024.

Financial Highlights

- Group revenue of £15.0 million (2023: £13.8 million)
- Gross profit of £3.2 million at 22% margin (2023: £3.7 million at 27% margin)
- Adjusted EBITDA[1] of £0.1 million (2023: EBITDA of £0.3 million)
- Adjusted operating loss[2] of £0.7 million (2023: loss of £0.5 million)
- Reported loss before tax of £1.2 million (2023: loss of £1.4 million)
- Reported basic loss per share of 3.2p (2023: loss per share of 3.9p) and Adjusted basic loss per share[3] of 2.7p (2023: loss per share of 2.3p)
- Net debt[4] of £3.3 million (2023: £3.7 million; 30 September 2023: £2.4 million); Net borrowings, excluding asset finance and right of use asset lease liabilities, of £0.9 million (2023: £0.9 million; 30 September 2023: £nil)

1 Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and other exceptional costs
2 Adjusted operating loss is operating loss before amortisation and other exceptional costs
3 Adjusted basic loss per share is reported earnings per share before amortisation and other exceptional costs
4 Net debt comprises cash and cash equivalents, borrowings, asset finance lease liabilities and right of use asset lease liabilities

Group Highlights

- Resilient market conditions during the first half of FY24 with new defence contract placements and continued growth in the oil and gas market against the backdrop of more stable economic conditions.
- Group revenue of £15.0 million (2023: £13.8 million) and Adjusted EBITDA of £0.1 million (2023: £0.3 million) in the first half of FY24.
- Order intake of £16.6 million for the 26 weeks ended March 2024 (2023: £29.3 million, including major UK naval order of £18.2 million) supports a current order book of £21.9 million at March 2024 (2023: £25.7 million).
- As previously announced, the sale process for the Precision Machined Components ("PMC") division was launched in December 2023 with a number of non-binding indicative offers received in March 2024. Subsequently, the Board has engaged with selected potential acquirers and has received final offers for the business. A preferred acquirer has been identified who is currently conducting final due diligence with a target completion of the transaction in August 2024.
- In November 2023, the Group refinanced its existing debt facilities with Lloyds Bank by arranging a new Term Loan facility of £1.5 million with Rockwood Strategic plc and Peter Gyllenhammar AB, two of its major shareholders, providing a financing bridge to the sale of PMC.
- The proceeds of the sale of PMC are intended to repay the new Term Loan facility and fund strategic investment opportunities at Chesterfield Special Cylinders ("CSC") to support its growth in the hydrogen energy sector.
- Net debt in the first half of FY24 increased by £0.9 million to £3.3 million (2023: £2.4 million) due to exceptional costs, capital expenditure and financing costs. Net borrowings, excluding asset finance and right of use asset lease liabilities, was £0.9 million (2023: £0.9 million; 30 September 2023: £nil).

Chesterfield Special Cylinders ("CSC")

- CSC revenue of £6.5 million (2023: £8.8 million) and Adjusted EBITDA of £0.1 million (2023: £1.1 million) in the first half of FY24, driven by the deferral of revenue on major defence contracts into future years and by operational delays during the period, including unplanned downtime on process-critical equipment between October 2023 and December 2023.

- Defence revenue of £5.5 million (2023: £7.0 million), with the peak of high-value milestones for UK submarine and surface ship programmes passed in the second quarter.

- Major new contract award announced in March 2024 to supply safety-critical pressure vessels for a major Australian naval new construction programme.

- Hydrogen revenue of £0.6 million (2023: £1.3 million), due to delays in new order placement for hydrogen storage projects in the UK and a lower rate of road trailer inspection and testing in the first half.

- New contract award announced in March 2024 to supplyhigh-pressure steel cylinder packages to Cheesecake Energy Limited, a UK developer of sustainable thermal and compressed air energy storage systems, for a pilot project funded by the Department for Energy Security & Net Zero.

- Integrity Management services revenue increased sharply during the first half of FY24 to £2.0 million (2023: £0.5 million), driven by growing activity with UK defence customers.

- CSC order intake of £10.3 million in the 26 weeks ended March 2024 (2023: £20.9 million, including major UK naval order of £18.2 million) supports a current order book of £14.9 million at the end of March 2024 (2023: £19.4 million), providing strong revenue cover for the remainder of FY24.

- Operational improvements in the Sheffield facility continue to deliver increased capacity and efficiency for hydrogen storage and road trailer new build, inspection and testing services.

Precision Machined Components ("PMC")

- PMC revenue in the first half of FY24 increased by 73% to £8.5 million (2023: £4.9 million), reflecting growth in the oil and gas market and strong operational performance, supporting consistent delivery against customer commitments.

- PMC gross margin also improved in the period to 20% (2023: 18%) due to the higher volume of throughput.

- PMC Adjusted EBITDA in the first half of FY24 of £0.8 million (2023: £0.2 million), a much-improved level of profitability.

- PMC order intake was £6.3 million in the 26 weeks ended March 2024 (2023: £8.4 million), supporting a current order book of £7.0 million at the end of March 2024 (2023: £6.3 million) and providing strong revenue cover for the remainder of FY24.

- The sale process for the PMC division has progressed on-track, supported by its much-improved level of performance during the period, with a target completion in August 2024.

Outlook

- CSC performance in the second half of FY24 is expected to be stronger than the first half, with higher revenue driven by existing defence contracts, new activity from recent contract wins, increased hydrogen trailer deliveries and a continuation of the much-improved revenue from Integrity Management services.

- However, a shortfall in CSC performance is expected for the full-year, driven by the deferral of a portion of UK defence contract revenues to future years and operational delays in the first half, further impacted by delayed order placement for new hydrogen storage contracts due to the UK general election, now expected later in FY24.

- Recent announcements of significant funding from UK Government to support the development of new hydrogen production, storage and distribution hubs across the country provide significant opportunities for CSC in the supply of new hydrogen storage and transportation systems for refuelling and decarbonisation applications.

- In addition, demand for in-situ and factory-based inspection, testing and recertification services for hydrogen storage and road trailers presents an exciting growth opportunity across an expanding customer base.

- PMC momentum is expected to continue in the second half driven by the strong order book and on-going operational improvements, supporting higher margins and profitability.

- Order books in CSC and PMC underpin the outlook of the Group in the second half of FY24. Given the current divisional trends and performance outlook, the Board expects the Group's full-year FY24* Adjusted EBITDA to be not less than £1.0 million.

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

Chris Walters, Chief Executive of Pressure Technologies plc, commented:

"The first half of FY24 saw a mixed performance across the Group.

PMC performed well in the period, with much-improved revenue and profitability, underpinned by operational improvements and capital investment. We expect this momentum to continue throughout the second half.

Performance at CSC was impacted by the deferral of UK defence contract revenues into future years and by operational delays, including unplanned downtime for process-critical equipment in the first quarter. Whilst we expect significantly stronger performance from CSC in the second half of the year, the shortfall in first-half performance will not be fully recovered in the second half, while full-year performance will be further impacted by delayed order placement for new hydrogen storage contracts due to the UK general election, now expected later in FY24.

However, we remain well positioned in the emerging market to supply static and mobile hydrogen storage solutions, and to provide the through-life inspection, testing and recertification services for these safety-critical systems over the medium and longer term. We have been encouraged by the recent announcements from UK Government to provide funding for the development of new hydrogen production, distribution and storage hubs in the next two years which present significant opportunities for CSC over the medium-term.

Order books in CSC and PMC underpin the outlook for the Group in the second half of FY24. Given the current divisional trends and performance outlook, we now expect full-year FY24 Adjusted EBITDA to be not less than £1.0 million.

We completed the refinancing of our debt facilities in the first half, supported by two of our major shareholders, and the sale process for PMC is progressing well. We have identified a preferred buyer for the division, with a target completion in August 2024, which will provide a solid foundation to pursue the strategic priorities of the Group."

Additional Information

The person responsible for arranging release of this announcement on behalf of the Company is Steve Hammell, Chief Financial Officer.

For further information, please contact:

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COMPANY DESCRIPTION

www.pressuretechnologies.com

With its head office in Sheffield, the Pressure Technologies Group 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 Group has two divisions:

- **Chesterfield Special Cylinders (CSC) -** www.chesterfieldcylinders.com
- **Precision Machined Components (PMC) -** www.pt-pmc.com

    - Includes the Al-Met, Roota Engineering and Martract sites.

Business Review

Pressure Technologies saw a mixed level of performance across its two divisions in the first half of FY24. The PMC division has reported much-improved financial and operational performance. However, performance in the CSC division was impacted by the deferral of contract revenue into future years and by operational delays, albeit against the backdrop of positive order intake, increasing demand for Integrity Management services and encouraging developments in the hydrogen energy market.

Chesterfield Special Cylinders

Chesterfield Special Cylinders ("CSC") delivered revenue of £6.5 million (2023: £8.8 million) in the first half of FY24. This lower than expected performance was driven by the deferral of UK defence contract revenues into future years and by internal operational delays, including unplanned downtime on process-critical equipment between October 2023 and December 2023, and delays to delivery of finished products across the second quarter. Actions were taken promptly to address the disruption from these issues and performance is expected to improve considerably in the second half of the year.

Order intake in the 26 weeks ended March 2024 was £10.3 million (2023: £20.9 million), above management's expectations, supporting a current order book of £14.9 million at the end of March 2024 (2023: £19.4 million) and providing strong revenue cover for the remainder of FY24. In the period, CSC was successful in securing new contracts to supply cylinders to an Australian naval programme and for the supply of cylinder packages to Cheesecake Energy, a new customer in the green energy market. As previously stated, FY24 is a transitional year for CSC due to the approaching completion of the current large UK defence programme. The division is now working on a number of future international opportunities, including qualification to supply US defence programmes.

CSC remains well positioned in the emerging market for pressurised hydrogen storage and transportation. Order placement from our mature pipeline of opportunities with established and new customers was slower than expected during the first half of FY24, influenced by delayed UK project funding decisions and by constraints in the broader supply chain for components required in the generation and compression of hydrogen for refuelling and decarbonisation projects. As a result of these delayed order placements, alongside lower delivery of existing hydrogen trailer orders, CSC delivered reduced hydrogen revenues of £0.6 million (2023: £1.3 million) in the first half.

The Board has noted recent announcements from UK Government ("UKG"that it expects hydrogen to play a vital role in decarbonising business and transport as the UK progresses to meet its net zero targets and is committed to provide funding support to position the UK as a global leader in the hydrogen industry. The first Hydrogen Allocation Round ("HAR1") has confirmed 11 projects across the UK for the production of hydrogen, with £90 million of funding from the Net Zero Hydrogen Fund ("NZHF") announced in December 2023 for the construction of these facilities. Furthermore, in February 2024, UKG announced further funding of £21 million from the NZHF (Strand 2) for 7 projects to produce and distribute low carbon hydrogen for buses, trucks and trains.

These UK hydrogen projects, backed by funding from UKG, are now active and being developed to relatively short timeframes, with the first projects expected to be operational in 2025 and 2026. CSC has developed commercial relationships with several of these new projects thereby providing a pipeline of opportunities over the next two years.

Demand for Integrity Management services, covering the in-situ periodic inspection, testing and recertification of in-situ cylinders in service, has been much stronger in the first half. Integrity Management revenue increased sharply to £2.0 million (2023: £0.5 million) and has contributed strongly to gross margin performance. Integrity Management is a low capital intensity and repeatable service and its growth and development into existing defence, hydrogen and offshore customers remains a strategic priority over the medium-term.

Precision Machined Components

Precision Machined Components (PMC) delivered revenue of £8.5 million (2023: £4.9 million) and Adjusted EBITDA of £0.8 million (2023: £0.2 million) in the first half of FY24. This very strong performance was driven by the strong order intake from the oil and gas market in FY23 and a much-improved level of operational performance in the period.

Order intake was £6.3 million in the 26 weeks ended March 2024 (2023: £8.4 million, including major OEM order of £3.0 million). The current order book of £7.0 million at the end of March 2024 (2023: £6.3 million) provides strong revenue

cover for the remainder of FY24. Moreover, 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.

At Roota Engineering, the demand for subsea well intervention tools, valve assemblies and control module components increased strongly in the first half. 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.

Operational performance at Roota has been supported by successful recruitment, skills development and investment in new advanced machining centres, increasing capacity and efficiency to meet the growing demand and extended product range for a broader customer base. Margin performance has also been resilient across all product lines, supporting improved levels of profitability.

Al-Met remained focused on the improvement of operational performance, efficiency and product margins in the first half and is benefited from the recovery in demand from key OEM customers for choke valve components and subassemblies. The momentum established by the significant ramp-up of activity in the fourth quarter of FY23 continued in the first half of FY24. Capital investment made in the first half is now driving operational efficiencies and reducing dependency on sub-contractors, while the significant increase in production volumes is helping to drive raw material cost savings. The margin benefits of these improvements are expected to be realised in the second half of FY24, supporting Al-Met's expected return to profitability.

Sale of PMC

Following the improvement in trading conditions in the oil and gas market last year, the sale process for the PMC division was launched in December 2023. As previously announced, a number of non-binding indicative offers were received for the division in March 2024.

Subsequently, the Board has engaged with selected potential acquirers and has received final offers for the division. A preferred acquirer has been identified who is currently conducting final due diligence. The Board is targeting completion of the transaction in August 2024.

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 on FY23 levels with a consequent reduction in divisional profitability in FY24.

Whilst we expect significantly stronger performance from CSC in the second half of the year, the shortfall in first-half performance will not be fully recovered in the second half, while full-year performance will be further impacted by delayed order placement for new hydrogen storage contracts due to the UK general election, now expected later in FY24.

PMC continues to see increasing demand from its global OEM customers and improving operational performance. The strong first-half result and robust order book provides high confidence in a much-improved full-year FY24 performance for the division. As previously announced, this improved trading environment underpins the Board's decision to divest PMC.

Order books in CSC and PMC underpin the outlook for the Group in the second half of FY24. Given the current divisional trends and performance outlook, we now expect full-year FY24* Adjusted EBITDA to be not less than £1.0 million.
* FY24 outlook includes CSC and PMC, on the basis that PMC is not sold in FY24 and remains a continuing operation

Chris Walters
Chief Executive
25 June 2024

Financial Review

Revenue & Profitability

The Group made solid progress in the first half of FY24, with revenue of £15.0 million being 9% higher than the corresponding period last year (2023: £13.8 million). This was driven by a strong performance at PMC, where revenue increased by 73% to £8.5 million (2023: £4.9 million), reflecting much-improved conditions in the oil and gas market and continued improvement in operational performance in the period.

However, revenue at CSC declined to £6.5 million (2023: £8.8 million) in the first half of FY24, due to operational disruption and delays. Theses issues were temporary in nature and the Board expects CSC to deliver significantly more revenue in the second half of the year. The order book of CSC remains strong at £14.9 million and provides strong revenue visibility for the remainder of the year.

The higher volume of production at PMC facilitated an improvement in its gross profit to £1.7 million at 20% margin (2023: £0.9 million at 18% margin). However, the lower levels of activity at CSC saw its gross profit fall to £1.5 million at 24% margin (2023: £2.8 million at 32% margin). Both divisions experienced increased direct labour costs in the period due to increased headcount and recent inflationary pressures, impacting margins.

The Group reported gross profit of £3.2 million at 22% margin (2023: £3.7m at 27% margin) in the first half of FY24.

Overhead costs decreased in the period to £3.9 million (2023: £4.2 million) with a strict focus on cost control and achieving reductions in the costs of operating as a listed company offsetting inflationary pressures.

The Group reported an operating loss of £0.7 million (2023: loss of £0.5 million) in the period. Allowing for depreciation charges of £0.8 million (2023: £0.8 million), the Group reported Adjusted EBITDA of £0.1 million in the period (2023: profit of £0.3 million).

Exceptional costs of £0.2 million were incurred in the period (2023: £0.7 million) in relation to the arrangement of the new Term Loan in November 2023 and the sale process for PMC.

Refinancing

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. The Term Loan is repayable in full upon a successful sale of the PMC division. 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.

Cashflow

The Group reported a net cash outflow of £0.3 million in the period (2023: outflow of £0.8 million). This was driven by Adjusted EBITDA of £0.1 million, exceptional costs of £0.2 million, working capital inflows (£0.2 million), capital expenditure (£0.4 million), interest costs (£0.2 million) and debt repayments (£1.3 million), partially offset by the new term loan drawdown (£1.5 million) in November 2023.

The cash balance at the end of the period was £0.6 million (30 September 2023: £0.9 million). Net debt, which comprises cash, borrowings, finance lease liabilities and right of use asset lease liabilities, at the end of the period was £3.3 million (30 September 2023: £2.4 million). Net borrowings, which comprises cash and borrowings only, at the end of the period was £0.9 million (30 September 2023: nil).

Financial Review (continued)

Impairment Reviews

The Group tests periodically for impairment, in accordance with IAS 36, if there are indicators that 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.

An impairment review was undertaken for each of CSC and PMC as at 30 March 2024. The review concluded that no impairment was required in these Interim Results.

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 last 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.

Steve Hammell
Chief Financial Officer
25 June 2024

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 30 March 2024

	Notes	Unaudited 26 weeks ended 30 March 2024 £'000	Unaudited 26 weeks ended 1 April 2023 £'000	Audited 52 weeks ended 30 September 2023 £'000
Revenue	5	**15,038**	13,765	31,944
Cost of sales		**(11,799)**	(10,051)	(23,001)
Gross profit		**3,239**	3,714	8,943
Administration expenses		**(3,942)**	(4,230)	(8,398)
Operating (loss) / profit before exceptional costs		**(703)**	(516)	545
Separately disclosed items of administrative expenses:				
Exceptional costs	6	**(232)**	(704)	(1,255)
Operating loss		**(935)**	(1,220)	(710)
Finance costs		**(238)**	(180)	(406)
Loss before taxation		**(1,173)**	(1,400)	(1,116)
Taxation	7	**(55)**	-	437
Loss for the period attributable to owners of the parent		**(1,228)**	(1,400)	(679)
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Currency exchange differences on translation of foreign operations		**-**	6	12
Total comprehensive expense for the period attributable to the owners of the parent		**(1,228)**	(1,394)	(667)
Loss per share - basic and diluted				
From loss for the period	8	**(3.2)p**	(3.9)p	(1.8)p

Condensed Consolidated Statement of Financial Position

As at 30 March 2024

	Notes	Unaudited 26 weeks ended 30 March 2024 £'000	Unaudited 26 weeks ended 1 April 2023 £'000	Audited 52 weeks ended 30 September 2023 £'000
Non-current assets				
Property, plant and equipment and right of use assets		**10,360**	10,961	10,287
Deferred tax asset		**805**	663	700
		11,165	11,624	10,987
Current assets				
Inventories		**5,753**	4,765	5,570
Trade and other receivables		**7,730**	8,137	9,384
Cash and cash equivalents	10	**594**	1,039	945
Current tax asset		**58**	58	58
		14,135	13,999	15,957
Total assets		**25,300**	25,623	26,944

Current liabilities

Current liabilities				
Trade and other payables		**(8,122)**	(7,342)	(9,326)
Borrowings - term loan/revolving credit facility	10	**(500)**	(1,907)	(907)
Lease liabilities	10	**(603)**	(526)	(697)
		(9,225)	(9,775)	(10,930)
Non-current liabilities				
Other payables		**-**	(22)	(12)
Borrowings - term loan	10	**(1,000)**	-	-
Lease liabilities	10	**(1,828)**	(2,293)	(1,704)
Deferred tax liabilities		**(872)**	(703)	(712)
		(3,700)	(3,018)	(2,428)
Total liabilities		**(12,925)**	(12,793)	(13,358)
Net assets		**12,375**	12,830	13,586
Equity				
Share capital	11	**1,933**	1,933	1,933
Share premium account	11	**1,699**	1,699	1,699
Translation reserve		**(253)**	(259)	(253)
Retained earnings		**8,996**	9,457	10,207
Total equity		**12,375**	12,830	13,586

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 30 March 2024

	Share capital £'000	Share premium account £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 September 2023 (audited)	**1,933**	**1,699**	**(253)**	**10,207**	**13,586**
Share based payments	-	-	-	17	17
Transactions with owners	-	-	-	17	17
Loss for the period	-	-	-	(1,228)	(1,228)
Total comprehensive expense	-	-	-	(1,228)	(1,228)
Balance at 30 March 2024 (unaudited)	**1,933**	**1,699**	**(253)**	**8,996**	**12,375**

For the 26 weeks ended 1 April 2023

	Share capital £'000	Share premium account £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2022 (audited)	**1,553**	**-**	**(265)**	**10,815**	**12,103**
Shares issued	380	1,699	-	-	2,079
Share based payments	-	-	-	42	42
Transactions with owners	380	1,699	-	42	2,121
Loss for the period	-	-	-	(1,400)	(1,400)
Exchange differences arising on retranslation of foreign operations	-	-	6	-	6
Total comprehensive income / (expense)	-	-	6	(1,400)	(1,394)
Balance at 1 April 2023 (unaudited)	**1,933**	**1,699**	**(259)**	**9,457**	**12,830**

Condensed Consolidated Statement of Changes in Equity (continued)

For the 52 weeks ended 30 September 2023

	Share capital £'000	Share premium account £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2022 (audited)	**1,553**	**-**	**(265)**	**10,815**	**12,103**
Shares issued	380	1,699	-	-	2,079
Share based payments	-	-	-	71	71
Transactions with owners	380	1,699	-	71	2,150
Loss for the period	-	-	-	(679)	(679)
Exchange differences arising on translating foreign operations	-	-	12	-	12
Total comprehensive income / (expense)	-	-	12	(679)	(667)
Balance at 30 September 2023 (audited)	**1,933**	**1,699**	**(253)**	**10,207**	**13,586**

Condensed Consolidated Cash Flow Statement

For the 26 weeks ended 30 March 2024

	Notes	**Unaudited 26 weeks ended 30 March 2024 £'000**	Unaudited 26 weeks ended 1 April 2023 £'000	Audited 52 weeks ended 30 September 2023 £'000
<u>**Operating activities**</u>				
Operating cashflow	9	**304**	(840)	1,223
Exceptional costs		**(232)**	(704)	(1,255)
Finance costs paid		**(238)**	(180)	(406)
Income tax refunded		**-**	-	408
Net cash outflow from operating activities		**(166)**	(1,724)	(30)
<u>**Investing activities**</u>				
Proceeds from sale of fixed assets		**15**	-	178
Purchase of property, plant and equipment		**(382)**	(188)	(576)
Net cash outflow from investing activities		**(367)**	(188)	(398)
Net cash outflow before financing		**(533)**	(1,912)	(428)
<u>**Financing activities**</u>				
Shares issued (net of transaction costs)		**-**	2,079	2,079
Repayment of borrowings		**(907)**	(500)	(1,500)
New term loan		**1,500**	-	-
Repayment of lease liabilities		**(411)**	(411)	(989)
Net cash outflow from financing activities		**182**	1,168	(410)
Net decrease in cash and cash equivalents		**(351)**	(744)	(838)
Cash and cash equivalents at beginning of period		**945**		1,783

			1,783	
Cash and cash equivalents at end of period		**594**	1,039	945
Bank borrowings		**-**	(1,907)	(907)
Term loan		**(1,500)**	-	-
Lease liabilities		**(2,431)**	(2,819)	(2,401)
Net Debt	10	**(3,337)**	(3,687)	(2,363)

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

Pressure Technologies plc is incorporated in England and Wales and is quoted on AIM, a market operated by the London Stock Exchange.

These unaudited interim condensed consolidated financial statements for the 26 weeks ended 30 March 2024 were approved by the Board of Directors on 24 June 2024.

These financial statements may contain certain statements about the future outlook of Pressure Technologies plc. Although the Directors believe their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

2. Basis of preparation

The Group's unaudited interim results for the 26 weeks ended 30 March 2024 ("Interim Results") are prepared in accordance with the Group's accounting policies which are based on the recognition and measurement principles of the UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. As permitted, the Interim Results have been prepared in accordance with the AIM rules and not in accordance with IAS 34 "Interim financial reporting" and therefore the interim information is not in full compliance with International Accounting Standards.

The interim condensed consolidated financial statements are prepared under the historical cost convention as modified to include the revaluation of certain financial instruments. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2023. The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2023 annual report and financial statements. The Principal Risks and Uncertainties of the Group are also set out in the Group's 2023 annual report and financial statements and are unchanged in the period.

The financial information for the 26 weeks ended 30 March 2024 and 1 April 2023 has not been audited and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The Group's 2023 financial statements for the 52 weeks ended 30 September 2023 were prepared under UK-adopted International Accounting Standards. The auditor's report on these financial statements was unqualified and did not contain statements under Sections 498(2) or (3) of the Companies Act 2006 and they have been filed with the Registrar of Companies.

3. Going concern

The Directors have considered and assessed whether the Group will be able to meet its obligations as they fall due for the period of at least 12 months from the date of these Interim Results. These interim condensed financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group's 2023 annual report and financial statements.

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 flow; 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 Interim Results. 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 Term Loan") of £1.5 million from two of its major shareholders. The Term Loan is committed for a period of five years and is not subject to any financial covenant tests. The Term Loan is subject to capital repayments of £0.5 million during the projection period which have been factored into the Directors' assessment.

Management has 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 is less dependent on profitability at CSC following a significant improvement in performance at PMC;
- that CSC is currently dependent on large 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. Moreover, there remain both internal and external risks to CSC's performance over the projection period;
- the recent significantly improved trading performance in the PMC division is expected to continue based on positive prospects for the oil and gas market.

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 scheduled capital repayments due under the Term Loan.

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 defence contracts noted above 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 has modelled the downside scenario based on reasonably possible delays to:

- **Delivery of 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 performance in FY23 and the first half of FY24. Placement of major orders from new hydrogen customers is subject to uncertainties, including the potential impact of a change in UK Government following the general election on 4 July 2024.

Other factors which could negatively impact the projections include:

- weaker revenue from Integrity Management deployments due to customer delays;
- operational performance shortfall at CSC on non-defence contracts; and
- the recent improvement in financial and operational performance at PMC not being sustained going forward.

The Group believes that these other factors are individually less likely to be material to the achievement of the projections than potential delays in defence contract 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's cash resources could become limited. However, 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.

The Directors also note that the Group has net current assets of £4.9 million at 30 March 2024.

Reflecting management's confidence in delivering large 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 continues to adopt the going concern basis in preparing these Interim Results. Consequently, these Interim Results do not include any adjustments that would be required if the going concern basis of preparation were to be inappropriate.

4. Sale of Precision Machined Components ("PMC") division

The principal activity of the PMC division is the manufacture of valve components for high pressure applications used mainly in the oil and gas sector. The division operates through its three main operating entities of Roota Engineering Limited, Martract Limited and Al-Met Limited.

The Board decided to sell the entire PMC division in October 2023, following recovery in the oil and gas sector, in order to fund strategic investment opportunities at Chesterfield Special Cylinders to support its growth in the hydrogen energy sector.

The sale process was launched in in December 2023 and, as previously announced, a number of non-binding indicative offers were received for the division in March 2024. Subsequently, the Board has engaged with selected potential acquirers and received final offers for the division in April 2024. A preferred acquirer was identified who reached in-principle agreement to acquire the PMC division in June 2024. This party is currently conducting due diligence and negotiating legal documentation. The Board is targeting completion of the transaction in August 2024.

The PMC division is classified as a reportable segment in accordance with "IFRS8 - Operating Segments". Disclosure of the financial performance of the PMC division is included in Note 5 of these Interim Results.

5. Segmental analysis of Revenue, Adjusted EBITDA and Operating Loss

Revenue by destination	**Unaudited 26 weeks ended 30 March 2024 £'000**	Unaudited 26 weeks ended 1 April 2023 £'000	Audited 52 weeks ended 30 September 2023 £'000
United Kingdom	**10,219**	9,441	22,799
Europe	**2,119**	2,779	5,243
Rest of the World	**2,700**	1,545	3,902
	15,038	13,765	31,944

Revenue by sector

	Unaudited 26 weeks ended 30 March 2024 £'000	Unaudited 26 weeks ended 1 April 2023 £'000	Audited 52 weeks ended 30 September 2023 £'000
Oil and Gas	**8,680**	4,938	11,751
Defence	**5,472**	7,211	17,188
Industrial	**279**	322	938
Hydrogen Energy	**607**	1,294	2,067
	15,038	13,765	31,944

Revenue recognition

The Group's pattern of revenue recognition is as follows:

	Unaudited 26 weeks ended 30 March 2024 £'000	Unaudited 26 weeks ended 1 April 2023 £'000	Audited 52 weeks ended 30 September 2023 £'000
Sale of goods transferred at a point in time	**10,866**	6,559	14,746
Sale of goods transferred over time	**2,358**	6,350	15,397
Rendering of services	**1,814**	856	1,427
	15,038	13,765	31,944

5. Segmental analysis of Revenue, Adjusted EBITDA and Operating Loss (continued)

For the 26 week period ended 30 March 2024 (unaudited)

	Cylinders £'000	**Precision Machined Components £'000**	**All other segments £'000**	**Total £'000**
Revenue from external customers*	**6,506**	**8,532**	**-**	**15,038**
Gross profit	**1,526**	**1,713**	**-**	**3,239**
Adjusted EBITDA	**126**	**793**	**(875)**	**44**
Depreciation	(339)	(362)	(46)	(747)
Operating (loss) / profit before exceptional costs	**(213)**	**431**	**(921)**	**(703)**
Exceptional costs	(19)	(14)	(199)	(232)
Operating (loss) / profit	**(232)**	**417**	**(1,120)**	**(935)**
Net finance costs	(24)	(99)	(115)	(238)
Profit / (loss) before tax	**(256)**	**318**	**(1,235)**	**(1,173)**
Segmental net assets**	**10,213**	**2,156**	**6**	**12,375**
Other segment information:				
Taxation (charge) / credit	(16)	(140)	101	**(55)**
Capital expenditure - property, plant and equipment	143	551	127	**821**

* Revenue from external customers is stated after deducting inter-segment revenue of £131,000 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.

5. Segmental analysis of Revenue, Adjusted EBITDA and Operating Loss (continued)

For the 26 week period ended 1 April 2023 (unaudited)

	Cylinders £'000	Precision Machined Components £'000	All other segments £'000	Total £'000
Revenue from external customers*	**8,835**	**4,930**	**-**	**13,765**
Gross profit	**2,809**	**905**	**-**	**3,714**
Adjusted EBITDA	**1,119**	**187**	**(1,044)**	**262**
Depreciation	(351)	(368)	(59)	**(778)**
Operating profit / (loss) before exceptional costs	**768**	**(181)**	**(1,103)**	**(516)**
Exceptional costs	(60)	(54)	(590)	**(704)**
Operating profit / (loss)	**708**	**(235)**	**(1,693)**	**(1,220)**
Net finance costs	(20)	(61)	(99)	**(180)**
Profit / (loss) before tax	**688**	**(296)**	**(1,792)**	**(1,400)**
Segmental net assets**	**7,916**	**2,193**	**2,721**	**12,830**
Other segment information:				
Taxation credit / (charge)	-	-	-	**-**
Capital expenditure - property, plant and equipment	33	507	9	**549**

* Revenue from external customers is stated after deducting inter-segment revenue of £221,000 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.

5. Segmental analysis of Revenue, Adjusted EBITDA and Operating Loss (continued)

For the 52 week period ended 30 September 2023 (audited)

	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 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.

6. Exceptional costs

Items that are incurred outside the normal course of business and/or that are non-recurring are considered as exceptional costs and are disclosed separately on the face of the Condensed Consolidated Statement of Comprehensive Income.

An analysis of the amounts presented as exceptional costs is as follows:

	Unaudited 26 weeks ended 30 March 2024	Unaudited 26 weeks ended 1 April 2023	Audited 52 weeks ended 30 September 2023
	£'000	£'000	£'000
Arrangement of Term Loan	**(111)**	-	-
Debt advisory services to refinance banking facilities	**-**	(176)	(373)
Debt advisory services on behalf of Lloyds Banking Group	**(15)**	(98)	(131)
Corporate finance services	**(73)**	(229)	(313)
Reorganisation costs	**(33)**	(201)	(309)
Write-down of obsolete historic inventory	**-**	-	(111)
Reversal of inventory provision from prior year	**-**	-	3
Historical contract settlement	**-**	-	(10)
Other plc costs	**-**	-	(11)
	(232)	(704)	(1,255)

7. Taxation

	Unaudited 26 weeks ended 30 March 2024	Unaudited 26 weeks ended 1 April 2023	Audited 52 weeks ended 30 September 2023
	£'000	£'000	£'000
Current tax credit	**-**	-	409
Deferred taxation (charge) / credit	**(55)**	-	28
Taxation (charge) / credit to the income statement	**(55)**	-	437

The taxation charge in the period relates to an increase in the net deferred tax liability of the Group. This is driven by an increase in deferred tax liabilities in relation to accelerated tax depreciation partially offset by an increase in deferred tax asset recognition in relation to unused losses.

8. 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, impairment 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.

8. Loss per ordinary share (continued)

For the 26 week period ended 30 March 2024

	£'000
Loss after tax	**(1,228)**
	Number of Shares ('000)
Weighted average number of shares - basic	**38,667**
Dilutive effect of share options	**277**

Weighted average number of shares - diluted	**38,944**
Loss per share - basic and diluted	**(3.2)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	**(1,228)**
Other exceptional items (note 5)	**232**
Theoretical tax effect of above adjustments	**(58)**
Adjusted loss	**(1,054)**
Adjusted basic loss per share	**(2.7)p**

For the 26 week period ended 1 April 2023

	£'000
Loss after tax	(1,400)

	Number of Shares ('000)
Weighted average number of shares - basic	36,134
Dilutive effect of share options	528
Weighted average number of shares - diluted	36,662
Loss per share - basic and diluted	**(3.9)p**

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

8. Loss per ordinary share (continued)

The Group adjusted loss per share is calculated as follows:

Loss after tax	(1,400)
Exceptional items (note 5)	704
Theoretical tax effect of above adjustments	(134)
Adjusted loss	(830)
Adjusted basic loss per share	**(2.3)p**

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 items (note 5)	1,255
Theoretical tax effect of above adjustments	(276)
Adjusted profit	300
Adjusted earnings per share	**0.8p**

9. Reconciliation of operating profit to operating cashflow

	Unaudited 26 weeks ended 30 March 2024	Unaudited 26 weeks ended 1 April 2023	Audited 52 weeks ended 30 September 2023
	£'000	£'000	£'000
Adjusted Operating (loss) / profit	**(703)**	(516)	545
Adjustments for:			
Depreciation of property, plant and equipment	**747**	778	1,544
Share option costs	**17**	42	71
Release of grants	**(10)**	-	(20)
(Profit) / loss on disposal of property, plant and equipment	**(15)**	-	170
Write-off of assets under construction	**-**	-	108
Movement in translation reserve	**-**	6	12
Changes in working capital:			
Increase in inventories	**(183)**	(198)	(1,003)
Decrease/(increase) in trade and other receivables	**1,063**	681	(53)
Decrease in trade and other payables	**(612)**	(1,633)	(151)
Operating cash flow	**304**	(840)	1,223

10. Reconciliation of net debt

	Unaudited 30 March 2024	Unaudited 1 April 2023	Audited 30 September 2023
	£'000	£'000	£'000
Cash and cash equivalents	**594**	1,039	945
Bank borrowings	**-**	(1,907)	(907)
Term loan	**(1,500)**	-	-
Net borrowings excluding lease liabilities	**(906)**	(868)	38
Asset finance lease liabilities	**(1,202)**	(1,386)	(1,072)
Right of use asset lease liabilities	**(1,229)**	(1,433)	(1,329)
Net debt	**(3,337)**	(3,687)	(2,363)

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 Term Loan is repayable in full upon a successful sale of the PMC division. 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" (see Note 13).

11. Called up share capital and share premium

	Unaudited 30 March 2024	Audited 30 September	**Unaudited 1 April 2023**	Audited 30 September

	2024	2023	2023	2023
	Shares No.	Shares No.	**Share Capital £'000**	Share Capital £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	**38,667,163**	38,667,163	**1,933**	1,933

	Share Premium £'000
Share Premium account	
At 1 April 2023, 30 September 2023 and 30 March 2024	**1,699**

During the 26 week period to 30 March 2024, the Group did not issue any new ordinary shares.

In the 26 week period to 1 April 2023, the Group issued 7,600,000 new ordinary shares on 6 December 2022 with a nominal value of 5p each, raising £2.1 million net of expenses. Of this total, £1.7 million was allocated to the share premium account.

12. Dividends

No final or interim dividend was paid for the 52-week period ended 30 September 2023.

No interim dividend is declared for the 26-week period ended 30 March 2024.

13. Related party transactions

During the period, the Group arranged a new Term Loan facility of £1.5 million with Rockwood Strategic plc and Peter Gyllenhammar AB, two of its major shareholders (see Note 10). The facility was drawn in full on 14 November 2023.

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".

As at 30 March 2024, the balance outstanding under the facility, excluding accrued interest, was £1.5 million.

There were no related party transactions in the 26 week period to 1 April 2023.

A copy of the Interim Report will be sent to shareholders shortly and will be available on the Company's website: www.pressuretechnologies.com.

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