Pressure Technologies

ANNUAL REPORT 2021

AT PRESSURE TECHNOLOGIES, WE ARE...

FUTURE FOCUSED

Leading UK designers and manufacturers of high-integrity, safety-critical components and systems serving global supply chains in oil and gas, defence, industrial gases and hydrogen energy markets.

Our Mission

To create value for our customers by enhancing the performance of their safety-critical supply chains and to advance safety and reliability in demanding environments through technology, high-quality engineering and the skills of our people.

Our Vision

To build a Group that is globally recognised within our markets as the leading provider of pressure containment and control products and services to customers who operate in highly demanding, safety-critical environments where the consequences of product failure could be catastrophic.

GROUP HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Group revenue

£25.3M
(2020: £25.4m)

Adjusted loss per share

(2.2)P
(2020: (6.4)p)

Gross profit margin

26.6%
(2020: 21.1%)

Reported basic loss per share

(12.0)P
(2020: (101.5)p)

Adjusted operating loss*

£(0.7)M
(2020: £(2.4)m)

Adjusted net operating cash outflow**

£6.6M
(2020: £1.7m cash inflow)

Reported loss before tax

£(4.2)M
(2020: £(20.0)m)

Net debt***

£4.9M
(2020: £7.4m)

* Operating loss excluding amortisation, impairments and other exceptional costs.
** Before cash outflow for exceptional costs.
*** Net debt includes gross borrowings, asset finance leases, right of use asset leases, less cash and cash equivalents.

Maintaining safety and business continuity throughout the period

Maintaining our vision

Our Vision and Strategy

To read more see page 08

Supporting stakeholders

Our Stakeholders

To read more see page 18

Strengthening growth opportunities

Business Review

To read more see page 12

Managing risk effectively

Risks and Uncertainties

To read more see page 28

Strategic Report

Governance

Financial Statements

Please visit our website for more information:
www.pressuretechnologies.com

CHAIRMAN'S STATEMENT

FOCUSED ON ADVANCING STRATEGIC PLANS

“Despite the disruptions, we maintained focus on improving operational efficiencies and bringing talent into the business to ensure that the Group is well-placed to fully leverage its leading position in core markets over the medium and long term.

Sir Roy Gardner
Chairman

In the years ahead, the hydrogen sector will play a key role in achieving that goal and I am delighted that Pressure Technologies and CSC will be supporting these efforts.

Our People and Culture
To read more see page 20

Introduction to Governance
To read more see page 34

Audit and Risk Committee Report
To read more see page 47

Overview

The team at Pressure Technologies demonstrated great resilience and resourcefulness as the Covid-19 pandemic continued to impact our business throughout the financial year. Whilst a number of anticipated contracts were delayed as a result of the significant economic and operational headwinds that have slowed global activity for an extended period of time, we focused on enhancing our capabilities and increasing efficiencies to ensure that the business is well placed to secure the opportunities we see in FY22.

During the year we continued to prioritise the safety and wellbeing of our people and I would like to express my gratitude to the entire Pressure Technologies team for their hard work and commitment throughout this immensely challenging period.

We started the financial year with a substantial funding round in December 2020 from supportive investors that will enable us to focus on the exciting growth opportunities for Chesterfield Special Cylinders (CSC) in the hydrogen energy market and Integrity Management services business.

The importance of the hydrogen sector was highlighted during the COP26 meeting in Glasgow in November 2021, where discussions centred on the importance of limiting global warming through energy transition. In the years ahead, the hydrogen sector will play a key role in achieving that goal and I am delighted that Pressure Technologies and CSC will be supporting these efforts. We have also continued to see strong performance in defence markets with a healthy pipeline of opportunities heading into 2022, which will be CSC's 125th anniversary year.

Having strengthened our engineering, sales and production capabilities in recent years, we saw new customer acquisitions and further penetration in our target markets, despite the challenging economic and operating environment. In addition, the business returned to a stable financial footing at the end of the year, having agreed an amendment to its banking credit facility.

Whilst oil and gas markets remained very subdued for much of 2021, towards the end of the financial year we started to experience early signs of recovery, with renewed investment in subsea systems and production levels which is encouraging for Precision Machined Components (PMC) as we move into FY22.

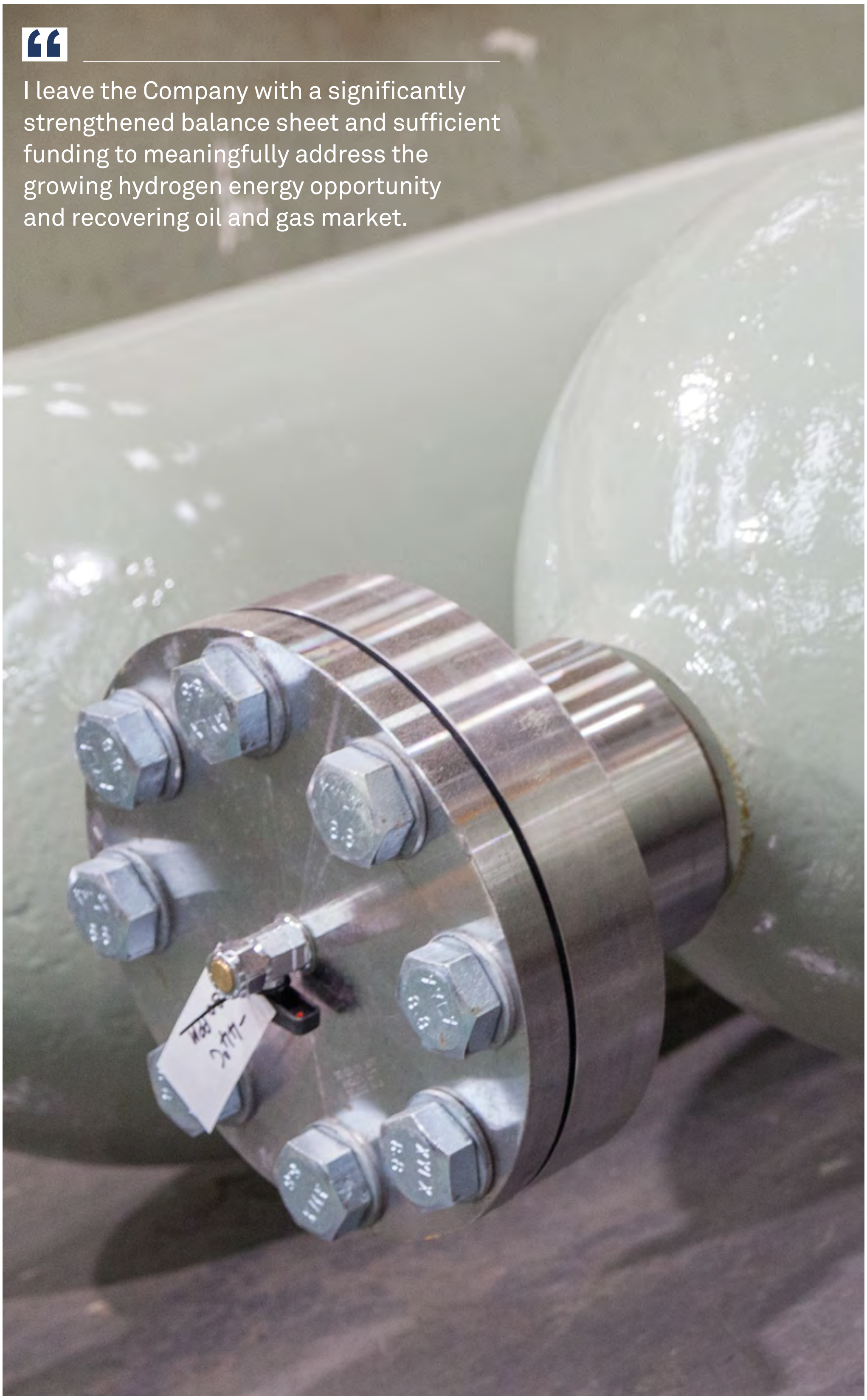
Despite the disruptions, we maintained focus on improving operational efficiencies and bringing talent into the business to ensure that the Group is well-placed to fully leverage its leading position in core markets over the medium and long term.

Board
In May 2021, James Locking was appointed Chief Financial Officer and joined the Board. Having been with Pressure Technologies for two years already as Group Financial Controller and then Interim Chief Financial Officer, James has a strong understanding of the business and the required skills that will be essential as Pressure Technologies continues to grow.

In November 2021, I announced that I would be stepping down as Chairman prior to the next Annual General Meeting in March 2022. It has been a privilege and honour to serve as Chairman of the Pressure Technologies Board over the past two years. I am pleased to have been able to support our Chief Executive, Chris Walters, and his team to steer the business through these challenging times. I leave the company with a significantly strengthened balance sheet and sufficient funding to meaningfully address the growing hydrogen energy opportunity and recovering oil and gas market. My successor will join a Board with the strong mix of knowledge and experience required to support and guide Pressure Technologies through this next exciting phase of its development.

Sir Roy Gardner
Chairman

17 January 2022



> I leave the Company with a significantly strengthened balance sheet and sufficient funding to meaningfully address the growing hydrogen energy opportunity and recovering oil and gas market.

OVERVIEW

POSITIONED FOR THE FUTURE

BUSINESS MODEL

WHO WE ARE

We work in close collaboration with our customers who require unique solutions when developing and manufacturing highly engineered products for use in harsh operating environments.

WHAT WE DO

We continue to build on our unrivalled 120 years of engineering heritage, by hiring and developing highly skilled craftsmen and design engineers who have the creativity and ingenuity required to solve complex design and manufacturing challenges.

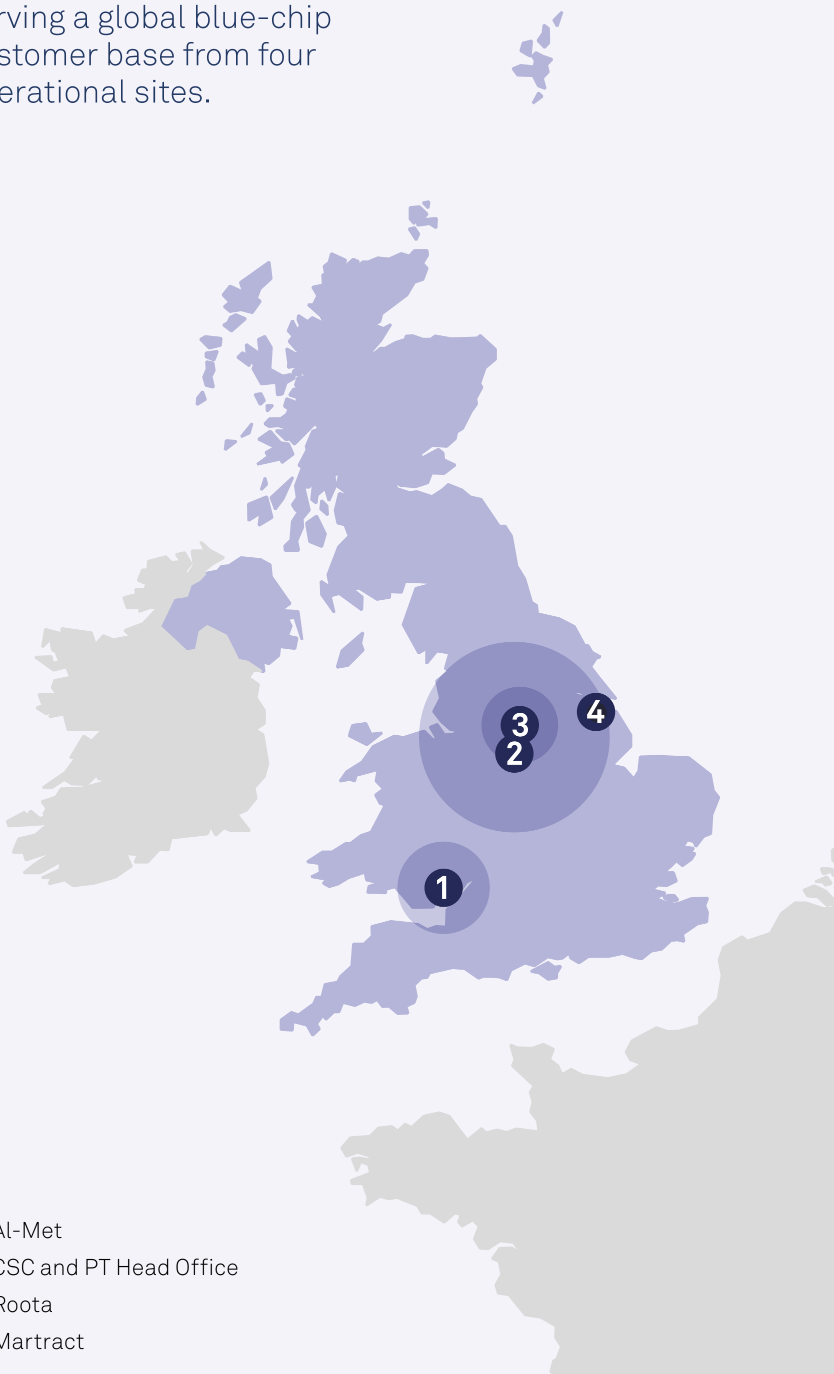
This differentiates us from competitors, and we are committed to continuously investing in people and technologies to position the company at the forefront of engineering excellence.

- Oil and Gas
- Defence
- Industrial
- Hydrogen Energy

To read more see page 06

WHERE WE OPERATE

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



Key
1. Al-Met
2. CSC and PT Head Office
3. Roota
4. Martract

OUR BUSINESSES

Chesterfield Special Cylinders

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

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

Integrity Management services is a growing part of the business, where cylinders cannot be removed for routine maintenance and are inspected and certified 'in-situ'. The service has been built on CSC's unrivalled industry knowledge and experience.

To read more see page 13

CHESTERFIELD SPECIAL CYLINDERS

Precision Machined Components

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

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

To read more see page 15

Al-Met ROOTA Engineering Ltd MARTRACT

MARKETS

IDENTIFYING TRENDS WITHIN OUR CORE MARKETS

Market overview

It is now clear that the oil and gas sector will need more time to recover from Covid-depressed oil prices, although we are encouraged by the early signs of recovery in customer orders and new customer engagement towards the end of 2021.

Steady growth is predicted to continue for the defence and industrial sectors, with the hydrogen energy market predicted to grow at a much faster pace over the next three to five years. Hydrogen energy is a key area of focus for our existing and future resources, as we build capacity and capability to meet customer needs, using the funds raised in December 2020. This is against the backdrop of a number of governments stimulating economic recovery by funding 'green' and hydrogen energy-related initiatives, including bringing forward climate change targets. Progress made to date in the hydrogen energy market has been very encouraging and the scale and rate of growth in this market is steadily becoming clearer.

How we reacted to market conditions

Covid-19 was the main driver for a large drop in oil and gas activity and restrictions on travel for our staff. We took decisive action to safeguard our staff and customer service as well as matching resources to market needs. We are maintaining the current capability, scale and reach of our manufacturing activities for oil and gas and defence markets. We decided the timing was right to raise funds to realise further growth opportunities, especially in hydrogen energy, and to strengthen the balance sheet so we can take advantage of partnership opportunities as they arise. We are now well placed to take advantage of any improvement in market conditions and realise the benefits of the investment in people, new equipment and supporting processes.

SECTOR	WHAT IS HAPPENING IN THE MARKET?
Oil and Gas	The low oil price environment of recent years and pandemic-driven collapse in economic activity saw major delays and cuts in oil exploration investment, resulting in fewer oil discoveries and reduced capex and opex spend. From the $50 low point of a year ago, the oil price has gained momentum in recent months, with increasing project expenditure forecast for the next two years. The Rystad outlook suggests in excess of 1,300 subsea trees, which utilise several PMC products, for mainly deepwater territories from early 2022 through to 2025. The sustained low oil price environment has advanced technical innovation in the oil service industry and reduced the cost of oil exploration and production. Oil service majors, OEMs and component manufacturers now collaborate to produce parts more efficiently on a 'cost-out' basis, while driving suppliers towards improved on-time delivery and shorter lead times.
Defence	Current defence spending continues to be driven by the need to replace obsolete warship classes, both in terms of surface and submarine fleets, alongside US pressure for NATO allies to increase defence spending. In November 2020, the UK government announced an additional £16.5 billion in military spending over the next four years, representing the largest increase in real terms since the end of the Cold War. Notwithstanding the coronavirus pandemic and contraction in economic output during 2020, global defence-spending has remained resilient with growth matching the higher levels achieved in 2019.
Industrial	CSC provides bespoke and standardised storage systems and inspection, reconditioning and retest services. Market opportunities for CSC include industrial gas majors, higher education and scientific research bodies, nuclear and conventional power plants and other specialised industrial installations. Demand for steel tube trailer new construction, refurbishment and recertification has increased during FY21 and is expected to be strong during FY22 due to increasing demand for gas transportation.
Hydrogen energy	Momentum continues to build in this sector, driven by greater focus on Net Zero for COP26, Important Projects of Common European Interest (IPCEI) projects in Europe releasing state funding, and more mobile refuelling stations being planned. In addition, decarbonisation of industrial processes with green hydrogen is driving projects that include large amounts of stored hydrogen. This sector is developing as we expect, and we continue to collaborate with our suppliers in order to be well-positioned to take advantage.

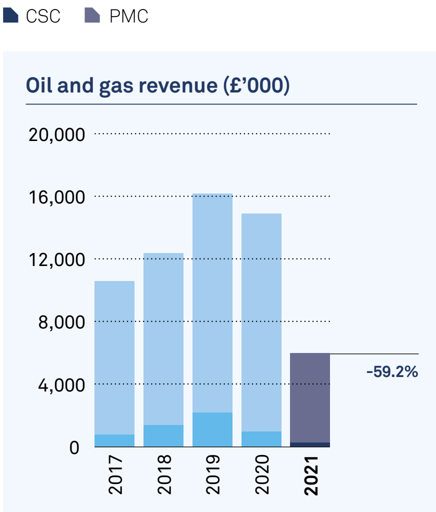
WHAT THIS MEANS FOR US

This market is primarily served by businesses in our Precision Machined Components division (PMC) but also by our Cylinders division (CSC).

The PMC businesses in the Group are leaders in their markets, supplying high integrity components for subsea and topside applications to global oil services companies. Pressure Technologies has embraced the shift to collaborative working with customers through long-term supply agreements, as secured in 2020 and 2021. The Group has also invested in sales and technical capabilities with measurable benefits seen in new customer acquisition and a broader product range.

Major OEM customers are reporting a stronger outlook for 2022 and while we remain cautious regarding the timing and pace of recovery, we expect a stronger demand for components in FY22.

CSC has also seen the early signs of recovery in the oil and gas market, with demand for motion compensation systems increasing during the second half of 2021. Demand for Integrity Management services for diving support and offshore services vessels is also expected to recover throughout 2022.

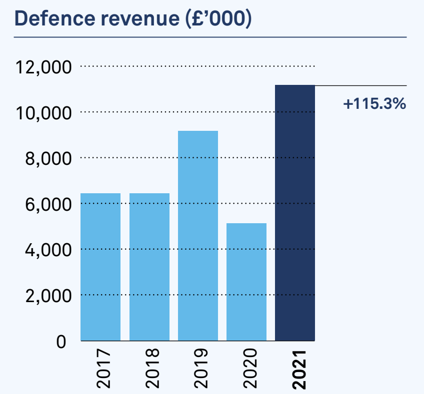


CSC is the leading supplier of high-pressure gas storage systems to NATO member state navies and has long-term contracts to supply bespoke products and services for conventional and nuclear submarine and surface ship programmes in the UK and overseas.

Although the phasing of defence project milestones and contract revenues can fluctuate significantly between and within financial years, there is good medium and long-term visibility of vessel construction programmes and planned defence expenditure from navies and their prime contractors.

CSC is the principal provider of inspection and testing services to the UK MoD for through-life cylinder performance and safety management on various classes of nuclear submarine.

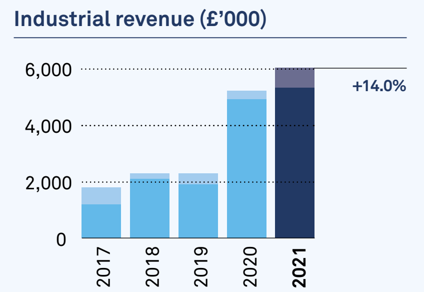
PMC secured its first orders for defence related components in FY21 and expects to increase its defence order book further in FY22 in collaboration with CSC.



This market is predominantly served by CSC but also by Al-Met and Martract, businesses within our PMC division.

This market includes cryogenic and bulk gas transport and storage, scientific research facilities and universities. As disciplines such as cryogenics continue to expand, the demand for bespoke, high quality gas containment systems also grows, driven by safety and control requirements. The growth of gas management systems within the higher education sector is being driven by the expansion of vocational and practical courses nationally and internationally.

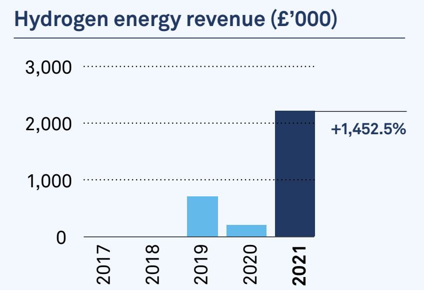
Demand for pressurised hydrogen transportation to support refuelling station and green hydrogen generation trials is driving demand for mobile storage new build and refurbishment.



As well as storage cylinder orders for more hydrogen refuelling station (HRS) we have a better view of customers' order books and plans for capacity expansion. There is now more focus on HRS for buses, trucks, trains and inland waterways.

Green hydrogen offers opportunities for very large orders, as hundreds of pressure vessels can be needed for buffer storage to protect production such as at Total's La Mede biorefinery near Marseilles.

Collaboration continues with our major steel tube suppliers including Tenaris and Vallourec, who provide important support globally, including with R&D and development of new alloys for hydrogen energy related cylinders.



VISION FOR GROWTH

OUR VISION

To build a Group that is globally recognised within our markets as the leading provider of pressure containment and control products and services to customers who operate in highly demanding, safety-critical environments where the consequences of product failure could be catastrophic.

The Group is well placed to take advantage of market conditions as and when they improve and to realise the benefits of the investment made in recent years in people, customer relationships, new equipment and supporting processes.

Business Review

To read more see pages 12 to 16

Markets

To read more see page 07

OUR STRATEGY

Over the last two years the Covid-19 pandemic has significantly impacted the business environment, including working conditions, operational performance, end markets and the global economy. To meet that challenge, we have adapted and remain ready to further adjust our focus and resources to protect the business, progress our strategy and take advantage of future opportunities.

The Covid-19 pandemic and slower than expected improvement in operational performance have contributed to further delay in Phase 1 – Refocus, which we now expect to extend to the end of 2022, in line with the anticipated slow recovery of oil and gas market conditions and the impact of this on our PMC division. We expect Phase 2 – Deliver Organic Growth, to accelerate through opportunities for CSC in the fast-developing hydrogen energy market, driving the need for investment that was supported by the successful fundraising in December 2020.

STRATEGIC ROADMAP

Our strategic roadmap is now updated to reflect these changes.

Phase 1 – Refocus

(originally to mid-2020, now extended to the end of 2022)

In progress
Recover profitability and cash generation, especially in oil and gas market-facing PMC

In progress
Complete foundations for new growth, people, structure, processes

Completed
Strategic focus and plans adjusted to support growth in hydrogen energy and Integrity Management for CSC following fundraising in December 2020

Phase 2 – Deliver Organic Growth

(extended to end of 2022)

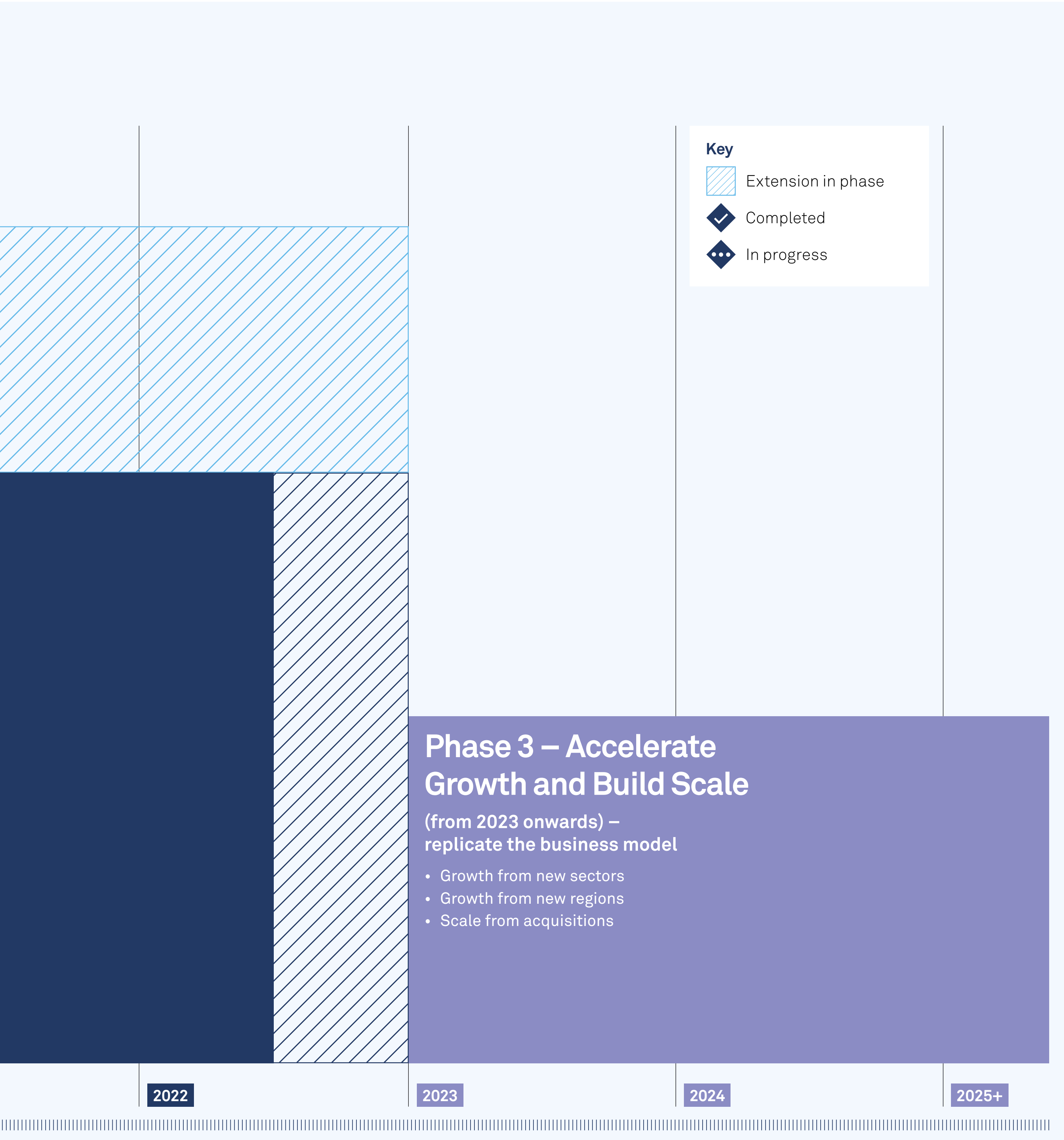
In progress
Grow revenue and margin from existing and new customers by investing in core capability

In progress
Capture and safeguard value by developing strategic partnerships with customers and in the supply chain

In progress
Grow revenue and margin from extended product/service offers and new regions

In progress
Grow margins through continuous process improvements and efficiencies

2019 2020 2021


Key
Extension in phase
Completed
In progress
Phase 3 – Accelerate Growth and Build Scale
(from 2023 onwards) – replicate the business model
• Growth from new sectors
• Growth from new regions
• Scale from acquisitions
2022
2023
2024
2025+

STRATEGIC PROGRESS

Phase 1 – Refocus

Recover profitability and cash generation

Covid-19 pandemic and tougher trading conditions combined with contract delays due to supply chain issues resulted in a slight reduction of Group revenue to £25.3 million, an adjusted operating loss of £0.7 million and a loss before taxation of £4.2 million

Group revenue

£25.3M

(2020: £25.4m)

CSC strengthens foundations for new growth with process improvement initiatives and investments in production capability which will continue in 2022

Fundraising in December 2020 raised cash proceeds, net of expenses, of approximately

£7.0M

PMC management restructured and cost-/cash-saving measures implemented in February 2021 reducing cost base by 40%

Confirm strategic focus and growth plans

Board strengthened with new CFO in place from May 2021

To read more see page 39

Strategy Roadmap updated to reflect strategic focus on the hydrogen energy market and Integrity Management

To read more see page 08

Grow revenue and margins from existing and new customers

CSC continued good progress with major contracts for existing home/ export customers in defence sector, reducing previous dependence on oil and gas

To read more see page 14

CSC Integrity Management, although impacted by travel restrictions throughout the year, delivered sales of

£1.5M

Hydrogen contract wins delivered sales of £2.2 million for the year and across a major new customer base

Hydrogen contract wins

£2.2M

New customer acquisitions continued in PMC – additional long -term strategic supply agreements signed with major OEMs

Key

- Completed
- In progress

Phase 2 – Deliver organic growth

Grow revenue and margin from extended product scopes and emerging sectors	Hydrogen Refuelling Station projects started by CSC expected to continue to grow in 2022	Opportunities emerging for CSC Integrity Management at all stages of Hydrogen cylinder life cycle remain a priority
Grow margins through operational improvements and growth	PMC implemented new production management systems, used data to drive better production scheduling and customer reporting leading to better delivery performance and utilisation To read more see page 15	PMC's 2019 investments in machines and production engineering translated into efficiencies, costs savings and competitiveness through shorter lead times

Phase 3 – Accelerate growth and build scale

Growth from new sectors Growth from new regions Scale from acquisitions	Our priority is to demonstrate the organic growth potential of the focused Group, but we will continue to appraise growth and development through acquisition where we see opportunity to advance our scale, technical capability and reach into new sectors and regions	Initial steps towards these goals may include customer and supplier collaborations, partnerships or joint ventures

BUSINESS REVIEW

STRENGTHENING GROWTH OPPORTUNITIES

"Ongoing investment following the December 2020 fundraising is helping to deliver operational improvements that will underpin the capacity growth, efficiencies and reduced lead times in readiness for the increasing hydrogen demand.

Chris Walters
Chief Executive

£ million revenue	2021	2020	2019	2018
Group revenue	**25.3**	25.4	28.3	21.1
Oil and Gas	**6.1**	14.9	16.3	12.4
Defence	**11.1**	5.1	9.1	6.4
Industrial	**5.9**	5.2	2.2	2.3
Hydrogen Energy	**2.2**	0.2	0.7	–
Group Operating (Loss) / Profit[1]	**(0.7)**	(2.4)	2.2	1.0
Group Loss before taxation	**(4.2)**	(20.0)	(0.5)	(1.7)

1 Before amortisation, impairments and other exceptional costs.
2 Operating loss excluding amortisation, impairments and other exceptional costs.

Over the past year, we have continued to make good progress against our strategic priorities and delivered results in line with market expectations, despite the prolonged challenge of oil and gas market conditions and the disruptive backdrop of Covid-19.

The management and operational changes we have implemented over the past two years have helped us to cope with these challenges and have further developed the organisational culture in line with our values, which remains key to the delivery of our strategy and sustainable growth. Colleagues across the business have worked hard and shown great resilience throughout the year and I would like to thank them for all that they have done and continue to do.

I would also like to thank our Chairman, Sir Roy Gardner, who will stand down from the Board before the next AGM in March 2022, for his support and guidance over the past two eventful years.

Our performance

Overall Group revenue for the year of £25.3 million (2020: £25.4 million) and an adjusted operating loss[2] of £0.7 million (2020: £2.4 million loss) reflect a strong performance in Chesterfield Special Cylinders (CSC) from major defence, nuclear and hydrogen energy contracts, which offset the impact of difficult trading conditions for Precision Machined Components (PMC) in the oil and gas market, supply chain disruptions and the continuing backdrop of Covid-19 related challenges.

£25.3M
Group revenue

Chesterfield Special Cylinders

£ million	2021	2020	2019	2018
Revenue	**18.9**	11.2	13.9	9.9
Oil and Gas	**0.3**	1.0	2.2	1.4
Defence	**11.1**	5.1	9.1	6.4
Industrial	**5.3**	4.9	1.9	2.1
Hydrogen Energy	**2.2**	0.2	0.7	–
Gross margin %	**32%**	26%	36%	35%
Operating Profit/(loss)[1]	**2.8**	(0.1)	2.1	1.1
Profit/(loss) before taxation	**1.7**	(1.0)	2.1	1.0
Return on Revenue	**15%**	0%	15%	11%

1 Before amortisation, impairments and other exceptional costs.

Chesterfield Special Cylinders delivered a 69% increase in revenue for the year to £18.9 million (2020: £11.2 million).

The phasing of major defence contracts resulted in significantly higher revenue and gross margin in the first half of the year, which also included the positive impact of a major defence contract delayed from FY20 into Q1 FY21. Gross margin increased to 32% (2020: 26%), resulting in an adjusted operating profit of £2.8 million (2020: £0.1 million adjusted operating loss) and a return on revenue of 15% (2020: 0%).

Revenue for defence contracts more than doubled to £11.1 million (2020: £5.1 million), representing 59% of the divisional total for the year, driven by UK and overseas naval submarine and surface ship programmes for customers including BAE Systems, Naval Group, Babcock and ThyssenKrupp. A contract to supply highly specialised cylinders for early warning radar systems was delivered to Thales for the UK Ministry of Defence during the year.

The defence order book and contract pipeline remain strong, providing good visibility of naval new construction and refit programmes going into FY22. Several major contracts were secured in the first quarter of FY22 for the supply of pressure systems to UK and overseas submarine and surface ship programmes.

Industrial market revenue increased to £5.3 million (2020: £4.9 million), representing 28% of the divisional total for the year, and included the second contract for EDF Energy to supply several UK nuclear power stations with nitrogen storage packages and the delivery of a contract for new customer, Parker Hannifin to supply cylinders for a wastewater treatment project in Abu Dhabi.

Momentum continued to build in the fast-developing hydrogen energy market, with revenue of £2.2 million (2020: £0.2 million), representing 12% of the divisional total for the year, from contracts with established and new customers, including Haskel Hydrogen Group, McPhy, Framatome, Arcola Energy and US fuel cell technology major, Plug Power. During the second half the year, Shell placed the first two orders for hydrogen storage under the five-year framework agreement with CSC announced in June 2020, both for European refuelling station projects.

All contracts placed to date for hydrogen storage utilise CSC's efficient and highly competitive cylinder design that has been developed with our customers to allow modular expansion to meet future demand and configured to enable cost-effective in-situ inspection and recertification with maximum availability through life, using CSC's Integrity Management services.

Collaboration with our specialist steel tube suppliers, Tenaris and Vallourec has been strengthened further during the year to size the global hydrogen energy market, support competitive product development, improve manufacturing efficiencies and to underpin the delivery of our future order book. The purchase of strategic steel tube stock for popular hydrogen cylinder designs in early 2021 proved to be important in mitigating raw material cost escalation, supply chain disruption and increasing lead times experienced throughout the second half of the year.

Demand for oil and gas related projects deteriorated sharply during 2020 and remained low throughout 2021 due to depressed oil prices and reduced capital spend in the sector. Total oil and gas market revenue decreased by 70% to £0.3 million (2020: £1.0 million), representing just 2% of the divisional total for the year. Early signs of recovering demand for air pressure vessels came in the second half of the year with a £1.1 million order placed by established customer, MHWirth for delivery in FY22.

Several smaller orders for similar applications were also placed by new and established customers in the second half of the year.

Covid-19 travel restrictions continued to significantly disrupt Integrity Management services and deployments during the year. Several UK and overseas projects were completed for offshore services and defence customers in the first half of the year, but the extended UK lockdown, travel restrictions and postponed customer projects had a negative impact on Integrity Management revenue for the year, which fell to £1.5 million (2020: £2.3 million). A recovery of deployment activity had been expected during the second half, but these projects have been rescheduled into FY22 and FY23.

Investment in people and production facilities progressed at the CSC Sheffield site during the year, in line with plans set out during the December 2020 fundraise. The investment will continue throughout 2022 and will increase overall operational capacity to meet the expected growth in demand for static and mobile hydrogen storage projects from 2023. We have also strengthened our operational teams, making key appointments across research and development, engineering, sales, production and supply chain functions.

£18.9M

Divisional revenue

HYDROGEN

In June 2021, Chesterfield Special Cylinders won a contract to supply Haskel with bespoke steel Type 1 cylinders.

These are the standard ground storage vessels used by the hydrogen sector globally due to their longevity and safety, proven over more than 100 years.

This contract increased the number of HRS projects secured by CSC for Haskel in Europe. CSC designed a specialised high-pressure containment solution for this project, which is integrated into Haskel's refuelling station design, the Haskel Geno HRS. It is also configured to enable cost effective inspection and recertification with maximum availability through life, using CSC's Integrity Management services.

The HRS utilises state-of-the-art technology and provides an energy efficient turnkey solution for flexible hydrogen supply, including allowing customers to pay with contactless credit cards. The design is modular and capable of reacting to increased demand in the future.

Precision Machined Components

£ million revenue	2021	2020	2019	2018
Revenue	**6.4**	14.2	14.4	11.2
Oil and Gas	**5.7**	13.9	14.0	11.0
Industrial	**0.7**	0.3	0.4	0.2
Gross Margin %	**11%**	17%	29%	33%
Operating (Loss) / profit[1]	**(1.6)**	(0.7)	1.9	1.5
Loss before taxation	**(2.3)**	(4.3)	(0.3)	(0.3)
Return on Revenue	**(26)%**	(5)%	13%	13%

1 Before amortisation, impairments and other exceptional costs.

Precision Machined Components (PMC) delivered revenue of £6.4 million (2020: £14.2 million) and an adjusted operating loss of £1.6 million (2020: £0.7 million loss), reflecting the very challenging trading conditions in the oil and gas market throughout FY21, while Covid-19 disruption and supply chain constraints resulted in several delays to output.

Our customers downgraded their trading outlook in early 2021 and, as a result, a further phase of restructuring was completed in February, which delivered a 40% reduction in the cost base compared with 2020 and helped to minimise losses and conserve cash through the year.

As expected, the demand for subsea well intervention tools, valve assemblies and control module components began to recover steadily from March 2021, exceeding pre-pandemic order intake levels and resulting in a profitable second half of the year for our Roota and Martract sites. This recovery has been supported by successful recruitment and new skills development, increasing Roota's capacity to meet the growing demand.

However, this improvement was largely offset by the slower than expected recovery in demand for subsea trees and the associated production drilling and flow control components, which severely impacted order intake at our Al-Met site, which remained loss-making in the second half of the year. Whilst our Al-Met OEM customers have indicated that they expect a strong recovery in demand for subsea trees from the beginning of 2022, we have yet to see this increased optimism result in higher order intake.

Further strategic progress has been made on reducing customer concentrations and extending the range of products covered by the long-term supply agreements established over the past two years, demonstrating customer confidence in our products and service levels as they seek to consolidate their approved supplier lists. In June 2021, we reported that we had signed a global supply agreement with Schlumberger Technology Corporation, covering a wide range of precision machined parts for their oilfield service applications.

A stronger sales team and mature sales processes have underpinned increased sales effectiveness and better customer relationship management. We have also made initial progress in diversifying our end markets, with the first orders secured for offshore wind turbine components, water treatment applications and specialised components on UK defence projects in collaboration with CSC, which are expected to continue into FY22. Non-oil and gas revenue totalled £0.7 million (2020: £0.3 million), being 12% of divisional revenue for the year, with initial progress made in defence and industrial markets.

£6.4M

Divisional revenue

Outlook

Our strategy remains the delivery of value from the continued growth and development of both divisions and whilst we have had to endure another year of difficult trading in the PMC division as a result of the Covid-19 pandemic and depressed oil and gas market conditions, the Board is pleased with the overall progress being made by the Group.

CSC has a strong defence order book going into FY22, with high-value projects weighted to the second half of the year. As travel restrictions are gradually lifted, periodic inspection regimes will require product revalidations and we expect to see a steady recovery in Integrity Management services across defence, offshore, nuclear power and hydrogen energy sectors, where risk management and asset availability are paramount.

As governments increasingly acknowledge the role of hydrogen in net zero carbon targets for transportation and industrial decarbonisation, hydrogen energy storage remains a strategically important market for the Group. Hydrogen related revenue was strong in FY21 and the pipeline of opportunities for static and mobile hydrogen storage systems with established and new customers continues to grow. The visibility of future demand is improving, with refuelling station projects expected to ramp up sharply driven by city bus networks from 2023 and accelerating heavy duty truck demand from 2024.

Ongoing investment following the December 2020 fundraising is helping to deliver operational improvements that will underpin the capacity growth, efficiencies and reduced lead times at our Sheffield facility over the next two years in readiness for the increasing hydrogen demand. Stronger collaboration with our specialist steel tube suppliers, Tenaris and Vallourec will continue to support competitive product development and underpin the delivery of our future order book.

For PMC, our focus remains on the recovery of profitability and cash generation. We are encouraged by recent increases in order intake for the Roota and Martract businesses and by efficiency and margin gains achieved from operational improvements at all sites. Our major OEM customers, including Schlumberger, Halliburton, Expro and Baker Hughes are reporting a stronger outlook for the oil and gas market during 2022, which we expect to drive improved performance, including restoring profitability in our Al-Met business. Whilst we remain cautious regarding the pace of recovery, particularly in light of the Covid-19 Omicron variant, the division is well placed to deliver an improved performance in FY22.

The Board remains confident in the prospects and opportunities for the business in the medium term.

Chris Walters
Chief Executive

17 January 2022

SECTION 172 STATEMENT

PROMOTING THE SUCCESS OF THE GROUP

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

a) Likely consequences of any decisions in the long term.
b) Interests of the company's employees.
c) Need to foster the company's business relationships with suppliers, customers and others.
d) Impact of the company's operations on the community and environment.
e) Desirability of the company maintaining a reputation for high standards of business conduct
f) Need to act fairly as between members of the company.

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

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

Matter	Where to find out more (page)
Likely long-term consequences	8 to 11, 19, 28 to 33, 34 to 37
Interests of the Group's employees	8 to 11, 18, 28 to 33, 34 to 37
Business relationships with suppliers and customers	8 to 11, 18 to 19, 28 to 33, 34 to 37
Impact on the community and environment	8 to 11, 19, 28 to 33, 34 to 37
Reputation for high standards of business conduct	8 to 11, 19, 28 to 33, 34 to 37
Acting fairly between shareholders	8 to 11, 19, 28 to 33, 34 to 37

OUR STAKEHOLDERS

WORKING TOGETHER WITH OUR STAKEHOLDERS

The Board fully recognises that long-term growth and profitability are enhanced when businesses behave in a sustainable and responsible manner, with respect for the environment and all stakeholders.

The Group's stakeholders include Customers, Employees, Shareholders, Suppliers, Government & Regulators and the Communities in which the Group's businesses operate. The Group actively encourages meaningful communication with all stakeholders.

CUSTOMERS

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

Key area of interest

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

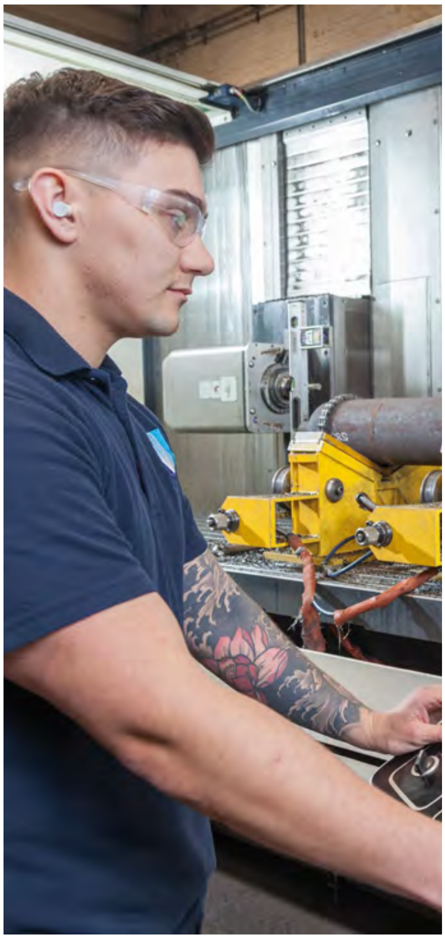
EMPLOYEES

It is the policy of the Group to communicate with employees through site-based employee forums and by regular briefing meetings conducted by senior management. A long-term view of the business is encouraged through the provision of defined contribution pension schemes, SAYE share option schemes for UK based employees, and performance bonuses. Long Term Incentive Plans ("LTIPs") are provided for the executive management team.

We implemented the Group's first Employee Engagement Survey in January 2018, using a benchmarked UK index provided by Best Companies. Further surveys were carried out in October 2019, October 2020 and June 2021 with improved response rate and engagement scores across the Group in the latest survey.

Key area of interest

- Committed, well trained, highly skilled and motivated employees are at the heart of our business.
- We strive to create a working environment where our employees can fulfil their potential by offering training, career opportunities and a platform for innovation.
- By doing this, we get the best from our people who enjoy working with us.
- During 2021, in conjunction with our employee representatives, we developed a new set of four company values that capture what it means to work for the Group and underpin our brand.



SHAREHOLDERS

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

Key area of interest

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

SUPPLIERS

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

Key area of interest

- We have continued to focus on strengthening our supplier relationships and performance this year, collaborating closely to ensure that our customer needs are met.
- We measure and report on supplier quality and on-time delivery performance.
- Our supplier relationship managers ensure that any issues are dealt with promptly and we hold regular meetings with our suppliers to review performance and the outlook for demand. This has been particularly beneficial in assessing and managing the global supply chain disruption seen in 2021.
- We remain committed to the establishment of long-term strategic relationships with our suppliers to improve the efficiency of our operations and to support the long-term commitments made to us by our customers. This has been demonstrated through the collaboration and long-term supply agreements established with CSC's European steel tube suppliers.

GOVERNMENT AND REGULATORS

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

Key area of interest

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

COMMUNITY

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

Key area of interest

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

PEOPLE AND CULTURE

SUPPORTING DEVELOPMENT AND GROWTH

> In support of our values and desire to be a great place to work, we have invested in a number of improvements related to developing our culture and colleague engagement.

Andy Graham
Group Human Resources Director

30%
Increase in investment in new talent within Chesterfield Special Cylinders

300
Courses available on our e-learning platform

TALENT ACQUISITION

In preparation for growth and to strengthen our business operations, we invested in a 30% increase in new talent within Chesterfield Special Cylinders. Not only has this complemented the skills and attributes of the existing workforce but it also provided an opportunity to enhance diversity and succession planning.

TALENT MANAGEMENT

At Pressure Technologies, we recognise that our people, their knowledge and their skills are at the very heart of what we do. The success of the Company and the value created for our customers and shareholders are driven by the commitment and contributions of the people we employ.

The training and development of our staff is crucial to the continuing success of the Company. Employees should have the appropriate skills and knowledge not only to ensure success in their roles but also for the fulfilment of their career potential.

The Company provides a range of training and development opportunities to employees including:

- Programmes relating to the enhancement of skills for an employee's current position
- Programmes leading to a professional of academic qualification
- Programmes that have a specific management or supervisory focus
- Access to an e-learning platform which offers almost 300 courses ranging from Health & Safety (including manual handling, fire safety, environmental awareness, risk assessments, stress management), business protection (including important areas such as anti-bribery and corruption, data protection, ethics, information security and equality and diversity) and performance (including customer service, employee relations, effective communication, wellbeing and managing performance through appraisals and objectives)
- Senior managers have attended the IOSH 'Leading Safely' programme and all of our managers have attended the IOSH 'Managing Safely' programme
- Line managers have attended mental health awareness training
- Investment has been made in Mental Health First Aiders.

ENGAGEMENT

In support of our values and desire to be a great place to work, we have invested in a number of improvements related to developing our culture and colleague engagement. Specific focus has centred around communications and colleague involvement. To support this we have introduced employee forums and all colleague briefings. We also provide all staff with an employee handbook which provides a single point access to our full range of policies.

Such activities were informed and developed by feedback gathered from our annual colleague opinion survey which saw year on year improvements in the areas of management communication, collaboration between teams, wellbeing and the extent to which colleagues feel about our positive impact on society.

HEALTH AND WELLBEING

We strive to create an open and honest workplace where line managers and employees can discuss mental health problems, and where necessary support is known and offered to employees when needed. To support this, we have invested in mental health awareness training for our managers and this complements our suite of Mental Health First Aiders who play a vital role in providing practical support to colleagues.

The Covid-19 pandemic challenged the business throughout the year and our colleagues have shown great resilience through this period. We thank them for all that they have done and continue to do. To support colleagues further in relation to their health and wellbeing, we provide a range of mechanisms to assist with health concerns and these include occupational health support and Employee Assistance Programme (which includes access to counselling services and guidance on managing stress, anxiety and depression).

OUR GROUP VALUES

As can be seen within these pages, the Company has established a strong set of values which inform, guide and influence everything we do. What is particularly important about these statements is that they were proposed and developed by colleagues at all levels of the organisation and facilitated via our employee forums. As such, they represent both our current strengths and our aspirations for the future. Colleagues within the business observe and work within our values on a daily basis.

We Put People First

Fundamental to who we are is how we behave with others. Respect, dignity, diversity, mutual trust and care for each other as people are at the heart of our culture. Physical and emotional safety are vital to the health and wellbeing of our colleagues and their families and are the primary guide to our behaviour and practices.

We Innovate and Create the Future

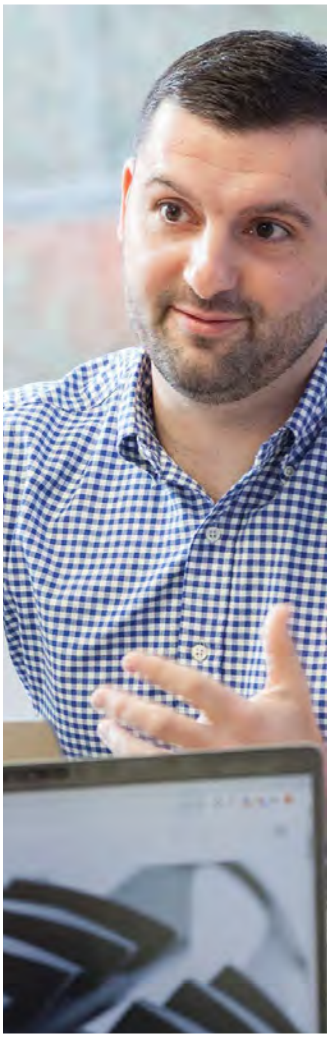
In order to continuously improve, succeed and grow, we anticipate and adapt to our changing environment and respond positively and creatively to the demands and expectations of our customers and end markets.

We Work with Each Other

Critical to our success is our ability and willingness to listen, cooperate, collaborate and support each other. We also encourage and demonstrate the courage to constructively challenge and be honest with each other in order to achieve the best outcome for the Company, our customers and each other.

We Deliver to the Highest Standard

Be it to our customers, on our promises or to each other, we take personal and collective responsibility, pride and ownership of our work and its quality. Through adherence to process and by learning, we deliver on our objectives, achieve our goals and celebrate our successes.



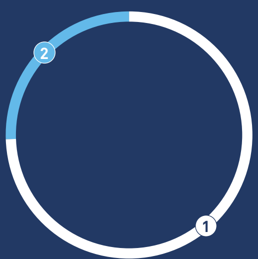
FINANCIAL REVIEW

INVESTING IN OUR OPERATIONS

> Our financial priority this year, following the fundraise in December 2020, was to invest in our Chesterfield Special Cylinders (CSC) facility, strategic stock to reduce lead times in the hydrogen energy market and the Integrity Management business.

James Locking
Chief Financial Officer

Revenue split



Total: £25.3m

1. Chesterfield Special Cylinders: £18.9m
2. Precision Machined Components: £6.4m

Business Review

To read more see page 12

Risks and Uncertainties

To read more see page 28

Our financial priority this year, following the fundraise in December 2020, was to invest in our Chesterfield Special Cylinders (CSC) facility, strategic stock to reduce lead times in the hydrogen energy market and the Integrity Management business, whilst maintaining sufficient liquidity for the increased working capital requirements during the year.

CSC had a significantly improved year due to the BAE Dreadnought Boatset 2 revenue for material and build as well as increased hydrogen energy revenue. However, continued tough trading conditions within the oil and gas market as well as Covid-19 disruption severely impacted the Precision Machined Components (PMC) division. Overall, this resulted in a very minor reduction in Group revenue for the year to £25.3 million (2020: £25.4 million) and an adjusted operating loss for the year of £0.7 million (2020: adjusted loss of £2.4 million). The Group made a loss before taxation of £4.2 million (2020: loss of £20.0 million).

CSC revenue increased by 69% to £18.9 million (2020: £11.2 million) with an adjusted operating profit of £2.8 million (2020: £0.1 million adjusted loss) and profit before taxation of £1.7 million (2020: loss of £1.0 million). PMC revenue decreased by 55% to £6.4 million (2020: £14.2 million) with an adjusted operating loss of £1.6 million (2020: adjusted loss of £0.7 million) and a loss before taxation of £2.3 million (2020: loss of £4.3 million).

As at 2 October 2021, net debt reduced to £4.9 million (2020: £7.4 million). The Group's £6.0 million revolving credit facility (RCF) was drawn at £4.8 million (2020: £6.8 million). Cash and cash equivalents decreased slightly to £3.2 million (2020: £3.4 million) resulting in reduced net borrowings (before lease liabilities) of £1.6 million (2020: £3.4 million). Lease liabilities as at 2 October 2021 decreased to £3.4 million (2020: £4.1 million).

The reduction in net debt was driven principally by the receipt in February 2021 of a £3.4 million final repayment of the Greenlane Renewables Inc. Promissory Note and the fundraising in December 2020, through the issue of 12,471,998 new ordinary shares, which raised cash proceeds, net of expenses, of approximately £7.0 million. These cash inflows were partially offset by a net working capital outflow of £6.2 million.

The Group's Revolving Credit Facility (RCF) was amended subsequent to year end in October 2021. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

Trading results

CSC

Revenue increased by 69% on the prior year primarily due to the phasing of major defence contracts and a step change in our hydrogen energy revenue to £2.2 million (2020: £0.2 million).

As a result, gross profit increased to £6.1 million (2020: £2.9 million), with a 6.3ppt improvement in gross margin.

Adjusted operating profit before amortisation, impairment and other exceptional costs was £2.8 million (2020: £0.1 million adjusted operating loss) with a 15.0ppt increase in return on revenue to 15.0% (2020: nil).

Contracts that were categorised as 'recognised over time' and still in progress at the end of the year had a future revenue value of £5.0 million relating to as yet unfulfilled performance obligations which are due for delivery in 2022.

PMC

PMC revenue decreased by 55% primarily due to the lack of recovery in oil and gas markets, the key end-market for this division, and the continued impact of the Covid-19 pandemic. The division also saw lower than expected gross margins as volume decreases could not be fully mitigated, despite the further restructuring in February giving a 40% reduction in the divisional cost base.

Gross profit decreased by 71.7% with a 6.4ppt reduction in gross margin to 10.9% compared to 2020, primarily due to the sharply reduced order intake in the first half of the year as our oil and gas OEM customers deferred project spend causing further uncertainty and disruption in the market. There were some signs of recovery in our Roota operation in the second half of the year with a return to profitability in the last four months of the financial year.

However, Al-Met experienced very difficult trading throughout the year and is expected to return to profitability in the second quarter of FY22.

The division reported an adjusted operating loss before amortisation, impairments and other exceptional costs of £1.6 million which represents a return on revenue of -25.7%, a 21.1ppt reduction from 2020.

Central costs

Unallocated central costs (before other exceptional costs) were £1.9 million (2020: £1.7 million).

In respect of the Group's various share option plans there was a net cost in the year of £0.1 million (2020: £0.1 million).

Asset impairment 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 continued impact of the Covid-19 pandemic and the difficult trading conditions and outlook for the oil and gas market, PMC's key end-market, is considered to be an indicator that the carrying value of our intangible and tangible assets in one of the Group's cash generating units (CGU) – the PMC division – may be impaired. The Group has considered a range of economic conditions for the sectors over the next three years.

These economic conditions, together with reasonable and supportable assumptions, have been used to estimate the future cash inflows and outflows for the PMC CGU over the next three years.

FINANCIAL HIGHLIGHTS

Group Revenue

£25.3M

(2020: £25.4m)

Group Adjusted operating loss*

£(0.7)M

(2020: loss of £(2.4)m)

Return on Revenue**

(2.9)%

(2020: (9.4)%)

Group loss before taxation

£(4.2)M

(2020: loss of £(20.0)m)

Net operating cash outflow***

£6.6M

(2020: £1.7m cash inflow)

Closing Net Debt****

£4.9M

(2020: £7.4m)

* Operating loss excluding amortisation, impairments and other exceptional costs.
** Adjusted operating loss divided by revenue.
*** Before cash outflow for exceptional costs.
**** Net debt includes gross borrowings, asset finance leases, right of use asset leases, less cash and cash equivalents.

The assumptions underlying these forecasts are detailed in Note 12 to these financial statements. The review concluded that no impairment was required in these financial statements. Amortisation costs were £0.2 million (2020: £2.0 million) and have been treated as a non-cash exceptional item.

The Group holds a number of 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 a valuation from an independent chartered surveyor, Lambert Smith Hampton, of this building which indicated that an impairment of this asset of £655,000 was required which has been treated as a non-cash exceptional item.

Also included in Assets under Construction is £829,000 along with associated costs of £289,000 held in prepayments, relating to the internal and third-party costs incurred in the current and prior years associated with the development of a new ERP system in the CSC division. Improvements to the incumbent ERP system in CSC have recently become available which the Group is currently assessing for suitability and cost. Whilst this review is not yet complete, an initial assessment indicates that upgrading the incumbent system to the recently announced software version, rather than completing the development of the new system, may be a more appropriate and cost-effective route to improving the ERP system in CSC. As a result, the Directors have determined that there is an indicator of impairment of the Asset under Construction and the associated prepayment relating to the development of CSC's ERP system.

Following an impairment review, the Directors have recorded an impairment charge of £1,118,000 to fully write off this asset. This impairment has been reflected as a non-cash exceptional item.

Other exceptional items

Reorganisation and redundancy costs in the year were £0.4 million (2020: £0.4 million), which predominantly related to the PMC site reorganisation costs that took place in February 2021.

Other exceptional items included an inventory write off in CSC relating to obsolete stock items totalling £0.2 million (2020: £0.5 million), costs related to the closure in the prior year of PMC's Quadscot facility of £0.2 million (2020: £0.7 million), and other head office costs including bank refinancing costs totalling £0.2 million (2020: £0.4 million).

Taxation

The tax credit for the year was £0.8 million (2020: £1.1 million).

The current year tax credit has benefited from a £0.4 million overprovision in respect of the prior year (2020: overprovision £0.1 million).

R&D tax benefits in respect of 2021 are expected to be £1.4 million (2020: £1.1 million).

Corporation tax refunded in the year totalled £nil (2020: £0.2 million). 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, following the receipt in February 2021 of the remaining Promissory Note from Greenlane Renewables Inc. which were part denominated in Canadian dollars.

In the year under review, the principal exposure which arose from trading activities was to movements in the value of the Euro, the Canadian Dollar 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.

As at 2 October 2021 there were no forward contracts in place (2020: none).

Financing, cash flow and leverage

Operating cash outflow before movements in working capital was £0.4 million (2020: £3.3 million outflow). After a net working capital outflow of £6.2 million (2020: £5.0 million inflow), cash used by operations was £6.6 million (2020: £1.7 million generated from operations). Key movements within working capital include £0.8 million related to the purchase of strategic stock, £2.6 million related to the increase in CSC's net contract balances and an outflow of £1.0 million PAYE and VAT to HMRC, which had been deferred from the prior year utilising Covid-19 relief.

Cash outflows in the year in respect of other exceptional costs (see Note 5) were £0.6 million (2020: £1.5 million). This excludes the inventory write down and asset impairments which were non cash-flow related.

During the year the Group received the final repayment of £3.1 million of the Promissory Note and its associated interest from Greenlane Renewables Inc. which formed part of the consideration on the sale of the Alternative Energy division in 2019.

Net debt was £4.9 million (2020: £7.4 million), the decrease driven primarily by the receipts of £3.4 million from the Greenlane Renewables Inc. Promissory Note and the fundraising on 18 December 2020 which raised cash proceeds, net of expenses, of approximately £7.0 million. This enabled the repayment of £2.0 million of the Group's drawings under the revolving credit facility ("RCF") reducing drawn debt to £4.8 million at the year end (2020: £6.8 million).

The Group's RCF was amended subsequent to year end in October 2021. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

Loss per share and dividends

Basic loss per share was 12.0 pence (2020: 101.5 pence). Adjusted loss per share was 2.2 pence (2020: 6.4 pence).

No dividends were paid in the year (2020: nil) and no dividends have been declared in respect of the year ended 2 October 2021 (2020: nil). Distributable reserves in the parent company, which at the year end are £8.6 million (2020: £20.4 million negative reserve), increased as a result of the fundraising which increased the share premium reserve and the subsequent capital reduction and transfer of the share premium reserve into distributable reserves following Court approval granted in June 2021.

Statement of financial position

Intangible assets (at net book value) decreased by £0.2 million to £0.1 million (2020: £0.3 million). Amortisation in the year was £0.2 million (2020: £2.0 million).

The property at Quadscot is owned by the Group and was marketed for sale after the site was closed in June 2020. As at 2 October 2021 the Group had sold two of its three conjoined units, generating proceeds of £0.4 million. The statement of financial position is showing the market value of the remaining property of £0.2 million (2020: £0.6 million) as an "Asset held for sale" under current assets. The remaining property was sold on 10 December 2021 for £0.2 million.

Net current assets (being current assets less current liabilities) decreased to £6.3 million (2020: £8.5 million) following RCF borrowings being reclassified to current from non-current liabilities. Non-current liabilities of £3.6 million (2020: £10.9 million) have decreased by £7.3 million, primarily as a result of the reclassification of RCF borrowings to current liabilities, as well as a reduction in RCF borrowings by £2.0 million.

Net assets increased by 29% to £17.1 million (2020: £13.3 million) but net asset value per share decreased to 55 pence (2020: 72 pence) following the fundraising through the issue on 18 December 2020 of 12,471,998 new ordinary shares, taking our total ordinary shares in issue to 31,067,163 (see Note 25).

James Locking
Chief Financial Officer

17 January 2022

HOW WE MEASURE OUR SUCCESS

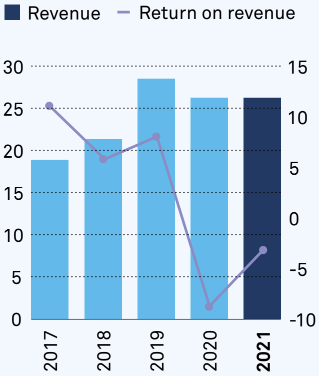
MEASURED PERFORMANCE

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

Financial Highlights

Growth and return

Revenue and return on revenue

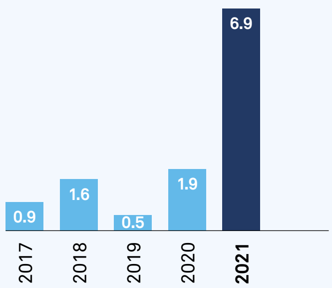


Growth is measured in terms of sales revenue.

The efficiency of converting sales into profits is measured in terms of return on revenue. This is calculated as adjusted operating profit divided by revenue. The Group has a target of at least 15% return on revenue, although this has been very negatively impacted by the Covid-19 pandemic in the last two years.

Cash conversion

6.9x

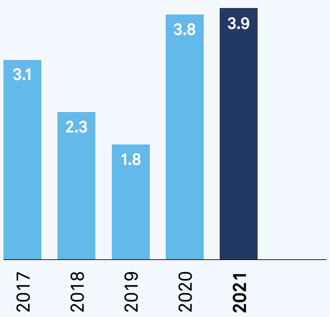


The cash conversion ratio measures the proportion of adjusted operating profit/(loss) converted into cash in the period. This is calculated as "cash flows from operating activities (before exceptional costs) divided by adjusted operating profit/(loss).

The minimum target cash conversion ratio is 1.

Net debt ratio (for covenant purposes)

3.9x

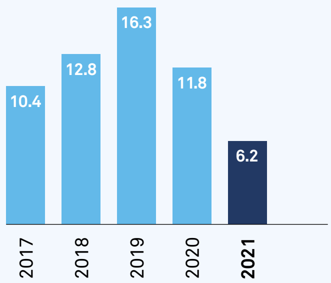


The measured net debt ratio is specific to the covenants contained in the Group's RCF facility. It is calculated as net debt attributable to the lender, being total net debt less right of use asset leases, divided by adjusted EBITDA.

The targeted ratio is less than 3:1 – although this has been very negatively impacted by the Covid-19 pandemic in the last two years.

Order intake – PMC £m

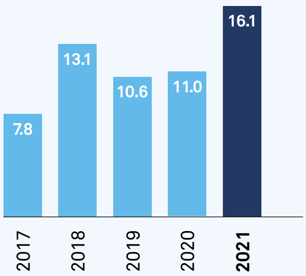
6.2



Twelve-month order intake is measured as an indication of future workload, trends in capacity requirements and progress with strategic plans for customer, product, market and regional targets in each division. This measure has been very negatively impacted by the depressed oil and gas market, the key end-market for PMC, in the last two years.

Order intake – CSC £m

16.1

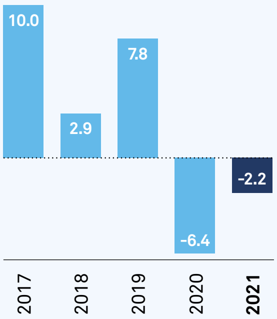


Twelve-month order intake is measured as an indication of future workload, trends in capacity requirements and progress with strategic plans for customer, product, market and regional targets in each division.

Shareholders

Adjusted EPS

(2.2)p



Adjusted earnings/(loss) per share is used as a measure of shareholder return. Details of the calculation of adjusted EPS can be found in Note 10 of the Notes to the consolidated financial statements.

Corporate Social Responsibility

Health and safety

Zero

incidents

Safety performance is measured through reported data on accidents, near misses and safety observations.

Safety maturity is measured against improvement targets for each operational site using the Group's Safety Maturity Framework.

Performance is reviewed periodically by management and the Board.

Environment

Zero

incidents

The environment measure currently used is the number of reportable environmental incidents and as with health and safety, the target across the Group is zero.

The Group has not had any incidents over the last five years.

The Group employs a Director of Group Health, Safety, Quality and Environment, who reports directly to the Chief Executive. He is responsible for ensuring that the Group employs best practice that is consistent around the Group and leads the team of health and safety managers employed at each business in the Group.

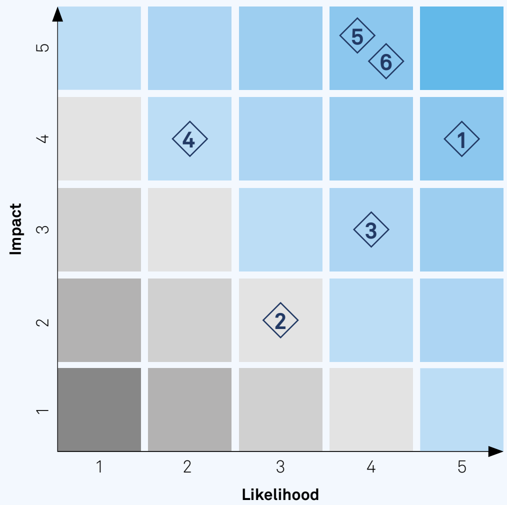
RISKS AND UNCERTAINTIES

MANAGING RISK EFFECTIVELY

The principal risks identified by management are described below.

Risk management process

Risk heat map – impact and likelihood



1. Global economic conditions and market volatility: **20** (2020: 20)
2. Government policy, regulation, legislation and compliance: **6** (2020: 6)
3. Market conditions and commercial relationships: **12** (2020: 12)
4. Funding and liquidity: **8** (2020: 8)
5. Availability and use of key resources: **20** (2020: 20)
6. Technology and innovation: **20** (2020: 20)

Direction of change

▲	Increased Risk	▶	No change	▼	Decreased Risk	NEW	New Risk

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
1. Global economic conditions and market volatility		
Covid-19 There remains continuing uncertainty and concern as to the duration and impact of the Covid-19 crisis going forward, particularly in light of the emergence of new variants, including Omicron. As a supplier to customers who support UK Critical National Infrastructure and Strategic Defence Contracts, to date, we have been able to keep all our sites open with only minimal operational disruption and capacity issues during the year. The defence, industrial and hydrogen energy markets – the key markets for our CSC division – have been relatively unaffected by the pandemic, other than for our Integrity Management business which has continued to be impacted by the domestic and international travel restrictions. Whilst these travel restrictions have eased somewhat during the second half of the year it is still leading to delay in Integrity Management deployments. However, the pandemic has had a significant negative impact on the oil and gas sector, which is the primary market for the PMC division. Whilst oil prices have improved significantly during the course of the year, order levels are still depressed compared to pre-pandemic levels. There has been some recent increase in order intake for some of our PMC businesses and customers are reporting a stronger outlook for the oil and gas market during 2022. However, it still remains unclear as to how quickly or otherwise the oil and gas sector will fully recover to pre-pandemic levels. The gradual reopening of economies as restrictions have been eased or removed has led to supply chain issues affecting global businesses particularly in the second half of the year. Whilst these issues have not had a material impact on the Group's operations to date, there remains some level of uncertainty going forward particularly with regard to steel supplies for CSC and the impact of these supply chain issues on our customers.	• The Group has written and implemented specific policies which have successfully allowed us to adopt working practices to meet UK government guidelines on workforce protection, enabling social distancing across all our facilities, encouraging working from home wherever roles permit and promoting employee health and wellbeing across the business • The Group has continued to support our customers, maintaining close dialogue with them and remaining focused on safely delivering their orders • The Group has taken a number of prudent measures to manage cost and conserve cash and core capability in the business, including further restructuring of PMC's facilities at Al-Met and Roota in February 2021 • The CSC division has acquired strategic stock during the year in anticipation of future orders, to both improve lead times to customers and to provide some level of protection against any unforeseen supply chain issues	▶
Market sectors The Group operates in and is therefore impacted by the macro conditions in the oil and gas, defence, industrial and hydrogen energy markets. We need to remain sufficiently flexible to allow us to anticipate downturns, to allow us to adjust our operations accordingly, and equally to meet growth in demand when our customers' markets are buoyant.	• The Group has increased its exposure to markets outside of oil and gas such as defence and hydrogen energy storage and revenues from these areas have risen • The Group has responded to adverse conditions in oil and gas markets by restructuring through the Covid-19 driven downturn, including the closure of the Quadscot facility in June 2020 and restructuring in the current year at the Al-Met and Roota facilities. However, the Group has retained and invested in its core capabilities in anticipation of market recovery in 2022 • The PMC businesses serve both production and exploration in the oil and gas market, with production being less volatile during a market downturn • Increased sales focus across the Group to expand into new market sectors, new customers and new product lines	▶

RISKS AND UNCERTAINTIES CONTINUED

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
1. Global economic conditions and market volatility continued		

Brexit
The implementation of the Brexit arrangements agreed in December 2020 which determine the basis of how the UK trades with the EU going forward, has led to a number of teething problems impacting supply chains for British businesses. However, to date this has not had a material impact on the Group's operations.
	• The Group typically quotes for business on a short quote expiry and there is considered to be a relatively limited risk in the following areas:
	  • VAT and duty particularly related to the import of raw materials
	  • Exchange rates
	• The Group has Authorised Economic Operator Status ("AEO") as part of its risk mitigation procedures	

Foreign exchange A proportion of the Group's business is carried out in currencies other than Sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the Group's financial position or results. The Group may engage in foreign currency hedging transactions to mitigate potential foreign currency exposure which is dependent on the certainty of value and timing of cash flows.	• Natural hedges are in place for the predominant currencies the Group is exposed to and all foreign currency trading is completed by Group treasury, including forward exchange contracts when appropriate • The Group typically quotes for business on a short quote expiry and where appropriate will include price escalation clauses to limit exposure to fluctuations in foreign currencies • The Promissory Note from Greenlane Renewables Inc., which was 50% denominated in Canadian dollars was repaid in February 2021. Following this repayment, the Group's assets and liabilities are almost wholly Sterling denominated	
2. Governmental policy, regulation, legislation and compliance		
Government policies Revenue generated from defence contracts is impacted by government policies which the Group may not be able to influence. Whilst unlikely in the short term, a change of government may result in amendments to tax and employment policies that could affect the business e.g., R&D tax credit regime, worker representation and rights. In November 2020, the government announced a significant increase in defence spending over the next four years. However, the Covid-19 pandemic has resulted in a very significant increase in government borrowings which may have a negative impact on the government's ability to meet this commitment.	• Changes that impact our defence contracts have enough visibility for management to implement plans that could mitigate them. A change of government is the greatest risk to the UK defence programme spending • Changes to R&D tax credits for development projects may reduce claims levels, increase overall tax and increase project funding requirements • Given the considerable additional debt incurred during the pandemic by UK government to fund business and employee support, there have been recent increases in business taxes introduced by the government, including increases in Corporation Tax Rates. Further increases going forward are a distinct possibility	
Health and Safety The Group operates manufacturing facilities therefore has a fundamental duty to protect its people and other stakeholders from harm whilst conducting its business.	• The Group is accredited to international ISO standards for HSE and has an established HSE management system and site-based teams with Group oversight • Managers and appointed safety officers have completed recognised HSE training • Senior management monitors and reviews divisional HSE performance during weekly and monthly management meetings, taking actions to address trends or key findings • HSE performance is reviewed monthly by the Board and HSE management maturity is reviewed quarterly against target levels for each site	

Direction of change

▲	Increased Risk
▶	No change
▼	Decreased Risk
NEW	New Risk

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
3. Markets conditions and commercial relationships		
Contract risk Failure to adequately manage contract risk and, as a result, commit to obligations which the Group is unable to meet without incurring significant unplanned costs.	• The prevalence of commercially complex major newbuild contracts in the CSC division has continued to increase • Commercial management skills have been recruited into the CSC business • The Group's governance policies and procedures in relation to contract risk were reviewed in the prior year and enhanced and a new governance framework established • Authority for the approval of major contract terms and conditions rests with the executive management team or is delegated according to Group policies • Major contract performance is reviewed in senior management meetings against time, cost and quality goals	▶
Customer concentration Customer concentration is high in both divisions of the Group and our relationships with these key customers could be materially adversely affected by several factors, including: a decision to diversify or change how, or from whom, they source components that we currently provide, an inability to agree on mutually acceptable pricing or a significant dispute with the Group. If the Group was unable to enter similar relationships with other customers on a timely basis, or at all, our business could be materially adversely affected.	• Key account management is a focus across the Group and we have a history of strong customer relationships and customer retention • The Group has a high dependence on a relatively small number of customers and work continues to expand the customer base in both divisions • The markets in which both divisions operate typically have a few large players, but the penetration of new sectors, such as hydrogen energy, has brought a new addressable market and new customers • Work undertaken to extend the PMC customer base has resulted in a lower concentration at Roota. Progress has been slower in Al-Met, where one OEM customer has dominated the order book	▶
Supplier concentration in CSC division The majority of steel tube purchases for cylinders is sourced from two suppliers in mainland Europe and this material is a critical component of systems designed and manufactured by CSC. There are few alternative suppliers globally that can match the cost, quality and lead times of these two European tube companies, hence there could be significant short-term disruption to the CSC business in the event that one or both companies are unable to supply steel.	• Long-term supply and cooperation agreements established with both suppliers during 2021 • Improved supplier management through recruitment of supply chain skills into CSC • Strategic collaboration ongoing with both suppliers to address product and service opportunities in target markets, including hydrogen energy, where strategic material stocks have been acquired • One supplier announced in November 2021 that it plans to dispose of its European steel tube mill, but has committed to meet demand from facilities and partners outside Europe, with competitive pricing, quality and lead times	NEW

RISKS AND UNCERTAINTIES CONTINUED

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
4. Funding and liquidity		
Funding The Group requires a working capital facility for trading and the growth strategy may require access to specific project funding, particularly with regard to the growth in our hydrogen energy business in the CSC division. There still remains a level of uncertainty in the UK economy as a result of Covid-19 and post-Brexit implementation issues and this has increased the desirability of a more conservative and resilient capital structure. The PMC division was loss-making in both the current and prior year and this has resulted in significant pressure on financial covenants included in the Group's banking facilities. Should revenue or margins be materially reduced, or working capital requirements significantly increase, there would be an immediate reduction in the facility's covenant headroom.	• The Group undertook a fundraising in December 2020 which raised net cash proceeds of approximately £7.0 million • The Group's Revolving Credit Facility (RCF) was amended subsequent to year end in October 2021. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility • Long-term finance products, such as leasing, are used for core debt items such as capital investments • Working capital levels, cash conversion and bank covenant compliance are regularly monitored by executive management and reported to the Board	▶
5. Availability and use of key resources		
Leadership As a publicly listed SME, the Group has certain roles that are key to governance and to the strategic and operational leadership that is required to deliver business performance and growth. There is a high level of dependency on key individuals and a requirement for depth and resilience in leadership.	• On 11 May 2021 it was announced that the Interim Chief Financial Officer, James Locking, had been appointed to the role on a permanent basis • In June 2021, senior management changes were implemented in CSC to provide leadership in finance, sales, engineering and commercial management • On 12 November 2021 it was announced that Sir Roy Gardner had informed the Company of his intention to step down as Chairman and Non-Executive Director before the next Annual General Meeting in March 2022. A process has been initiated to identify and appoint a Non-Executive Director to succeed to the position of Chair and to ensure a smooth handover	▶
Retention of key staff in business-critical roles Failure to continue to evolve organisation structure and culture could prevent us from employing and retaining the right talent, knowledge and skills to deliver the strategy. As markets improve post the Covid-19 crisis and the Group develops into new markets such as hydrogen energy, we need to continue to recruit high quality staff, building on existing capability while recruiting skilled expertise in the right areas of the business, at the right time.	• The high added value products and services provided by all the businesses are reliant on the skills and knowledge of our employees and there is a programme of training around the Group to ensure the development and retention of these key skills and employees. The training programme includes apprenticeships and recognised industry qualifications • The last three years have been a period of transition for the Group, with Board, senior management and other employee changes helping to drive organisational development and culture change, with support from professional HR resources • Company policies and procedures are reviewed annually and were incorporated in 2021 in an Employee Handbook • Employee engagement surveys are periodically undertaken to benchmark and assess progress in employee engagement and development. The most recent survey was undertaken in June 2021 and showed a small improvement in engagement across all sites since the previous survey in October 2020	▶

Direction of change

Increased Risk	No change	Decreased Risk	NEW New Risk

RISK AND IMPACT	STATUS AND MANAGEMENT STRATEGY TO MITIGATE	CHANGE
5. Availability and use of key resources continued		
Major capital assets Certain of the Group's businesses rely on large or critical pieces of equipment and major breakdown could affect our ability to maintain delivery performance and customer growth.	• Key assets are subject to ongoing maintenance programmes and strategic spares are held • The risk is further mitigated in the Precision Machined Components division by the number of manufacturing sites • In December 2020, the Group undertook a fundraising by the issue of new shares which raised cash proceeds, net of expenses, of £7.0 million. Of these proceeds, £0.8 million was spent in 2021 in the CSC division to increase manufacturing capacity and resilience	No change
6. Technology & innovation		
Product development The strength of our business is built upon a history of delivering products that advance safety and reliability in demanding environments. If we fail to keep abreast of market needs or to innovate solutions, we are at risk of losing market share to our competitors and lowering margins as demand will reduce. The hydrogen energy market is a significant growth opportunity for the CSC division, but the underlying technology is relatively immature and unproven.	• Investment in product development and services is key to the continued growth of the Group and we strive to embed a culture of research and development initiatives within the business • Research & Development Manager appointed in CSC to work with customers and suppliers in the development of progressive solutions for static and mobile gas storage • Collaborations with major steel tube suppliers are supporting product and service development in CSC • Collaborations with academic and research bodies are supporting the development of new manufacturing and inspection processes	No change
Disruptive technologies Technological advances in production processes or materials may cause a reduction in demand for the Group's products. Increased interest and use of composite (fibre-polymer) cylinders presents a threat to the demand for steel cylinders for high-pressure hydrogen storage, which is a growth market for CSC.	• The monitoring of evolving technologies that may disrupt the market is ongoing, looking to both capitalise on the opportunities they may provide as well offset any potential threats • CSC is promoting the efficiency, sustainability and lower Total Cost of Ownership advantages of steel over composite but accepts that both technologies have a role to play in the hydrogen energy market. CSC can integrate composite cylinders into packages required by its customers	Increased Risk
Cyber-crime At present, the Group's principal exposures to cyber-crime relate to the misappropriation of cash and data. Our revenue streams are largely protected as our products are not currently electronic in nature and we do not, as a rule, transact over the internet. Cyber-crime is a growing risk for all businesses.	• Cyber security policies are overseen by the Group's Head of IT • CSC has achieved Cyber Essentials Plus accreditation, following an independent audit. PMC sites are working towards accreditation • The Group uses cloud storage with secure data access • All employees are undertaking mandatory cyber security training	Increased Risk

Approval of the Strategic Report

The Strategic Report, as set out on pages 2 to 33, has been approved by the Board.

By order of the Board

Chris Walters
Chief Executive

17 January 2022

INTRODUCTION TO GOVERNANCE

ENSURING EFFECTIVE CORPORATE GOVERNANCE

Pressure Technologies plc is proud of its reputation for being honest and fair in the way it does business.

Sir Roy Gardner
Chairman

Report of the Remuneration Committee
To read more see page 40

Directors' Report
To read more see page 43

Audit and Risk Committee Report
To read more see page 47

The Board fully supports the underlying principles of Corporate Governance contained in the Corporate Governance Code ("the Code") and the Board has adopted the revised QCA Code, released in April 2018. The responsibility for ensuring compliance and accurate reporting of Corporate Governance resides with the Audit and Risk Committee ("the Committee"). Corporate Governance will be continually monitored and reviewed formally by the Committee annually, following publication of the report and accounts each year.

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

1. Establish a strategy and business model which promote long-term value for shareholders
Pressure Technologies has an established strategy for growth, which it reports on annually to its shareholders in the Group's Annual Report, indicating how it has delivered on the strategy and how it has managed strategic risks. The Board reviews the strategy at least once a year to ensure that it remains relevant and sustainable. The Group's business model is clearly set out on page 8 of these financial statements.

2. Seek to understand and meet shareholder needs and expectations
The Company actively encourages good communication with all shareholders from the largest to the smallest. Presentations to institutional and mid-sized investors (typically by the Chief Executive and Chief Financial Officer) are offered at the full-year and half-year and all investor presentations are posted to the Group's website. Feedback is obtained following all investor meetings and this feedback is reviewed by the Board. The Company has always aimed to accommodate investors who wish to visit its manufacturing sites.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
The Board fully recognises that long-term growth and profitability are enhanced when businesses behave in a sustainable and responsible manner, with respect for the environment and all stakeholders. The Group's stakeholders include employees, customers, investors, suppliers, advisors and the communities in which the Group's businesses operate. The Group's approach to sustainable and responsible business is set out on the website (https://www.pressuretechnologies.com/our-responsibilities-overview/).

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation
The Committee conducts regular reviews of business risk and oversees the approach to risk management. Acknowledging the increasing threat to cyber security, the Group has recruited new skills and resources to ensure effective risk management and protection in this critically important area.

The risk reporting model, set out on pages 28 to 33 of these financial statements, includes the key risks to the Group's strategy.

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

The Board comprises a Chairman, Sir Roy Gardner, who joined the business in January 2020, a Senior Independent Non-Executive Director, Brian Newman, who joined the business in 2015 and two Independent Non-Executive Directors, Tim Cooper and Mike Butterworth, who joined the business in January 2020 and June 2020 respectively. On 12 November 2021 it was announced that Sir Roy Gardner had informed the Company of his intention to step down as Chairman and Non-Executive Director before the next Annual General Meeting in March 2022. A process has been initiated to identify and appoint a Non-Executive Director to succeed to the position of Chair.

There are currently two Executive Directors, Chris Walters, Chief Executive, who joined the Group in September 2018 and James Locking, Chief Financial Officer, who joined the business in January 2019 and was appointed to the Board in May 2021.

Board meeting and committee meeting frequency and attendance are set out within these financial statements and the Terms of Reference for each committee can be found on the website. The Group uses collaboration software for its Board reports which facilitates the secure and timely distribution of information to the Board.

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

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

Board of Directors' Purpose Statement

Establish and maintain vision, mission and values

- Determine and maintain the Company's vision and mission to guide and set the pace for its current operations.
- Determine and maintain the values to be promoted throughout the Company.
- Determine, maintain and review Company goals.
- Determine and maintain Company policies.

Decide strategy and structure

- Review and evaluate present and future opportunities, threats, risks in the external environment; current and future strengths, weaknesses and risks relating to the Company.
- Determine strategic options, select those to be pursued and decide the means to implement and support them.
- Determine the business strategies and plans that underpin the corporate strategy.
- Ensure that the Company's organisational structure and capability are appropriate for implementing the chosen strategies.

Delegate to management

- Delegate authority to management and evaluate the implementation of policies, strategies and business plans.
- Determine the monitoring criteria to be used by the Board.
- Ensure the internal controls are effective.
- Communicate with senior management.
- Account to shareholders and be responsible to stakeholders.

Ensure that communications both to and from shareholders and relevant stakeholders are effective

- Understand and take into account the interests of shareholders and relevant stakeholders.
- Monitor relations with shareholders and relevant stakeholders by gathering and evaluating appropriate information.
- Promote the goodwill and support of shareholders and relevant stakeholders.

> The Board fully recognises that long-term growth and profitability are enhanced when businesses behave in a sustainable and responsible manner with respect for the environment and all stakeholders.

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

The corporate governance statement on page 35 of the 2020 Annual Report notes that details of the performance evaluation procedures for each Director, the whole Board, or each committee, are not currently disclosed. As several appointments to the Board were made during 2020 and the business was impacted by the Covid-19 pandemic, no board evaluation was carried out in 2020. The 2020 Annual Report noted the intention to review and update the Board evaluation process and to conduct an evaluation during 2021. The review and evaluation have been postponed until after the appointment of a new Chairman, who will lead the evaluation process.

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

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

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

The roles of each of the Board Committees are set out in their Terms of Reference, which can be found on the website along with Matters Reserved for the Board.

The roles of individual Directors are not formally described, but this will be reviewed and disclosed if relevant.

The responsibility for ensuring governance structures is continually reviewed and relevant to the business and its stakeholders falls to the Audit and Risk Committee.

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

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

DIRECTORS AND ADVISORS

EXPERIENCED LEADERSHIP

Sir Roy Gardner
Chairman

Appointed
January 2020

Relevant strengths
- 40 years' experience in leading FTSE 250 companies.
- Recognised by Harvard as one of the world's leading wealth creators.
- Multi-industry expertise.

Relevant experience
- Fellow of the Chartered Association of Certified Accountants, City & Guilds Institute and Energy Institute.
- Leads and chairs large international businesses, many of them providing services to, or regulated by, governments.
- Chair of Serco plc and the Senior Non-Executive Director of Mainstream Renewable Power Limited.
- Previously Chief Executive of Centrica plc, Chairman of Manchester United plc, Chairman of Compass Group plc and Senior Independent Director of William Hill plc.

External commitments
- Chairman of the Board of Governors at St. Albans School.
- Tireless fundraiser for many charities and most notably was President of Carers UK, Chairman of the Employers Forum on Disability and Chairman of The Princess Royal's Development Trust.

Brian Newman
Senior Independent
Non-Executive Director

Appointed
September 2015

Relevant strengths
- Engineering expertise.
- Knowledge of global industrial businesses, including cross-border M&A.
- Divisional management experience.

Relevant experience
- A Chartered Engineer with a degree in Engineering from Cambridge University and an MBA from Penn State University, USA.
- Former Divisional Director at two FTSE 100 companies, latterly at Melrose plc as EMEA Managing Director at its subsidiary, Bridon International Group.
- Former Divisional Managing Director at international engineering group GKN plc, with responsibility for its global Wheels and Axles Divisions.
- Over 40 years' experience in engineering having also previously served on the boards of two listed companies.

External commitments
- Non-Executive director of The Woodard Corporation Ltd and a number of other organisations.

Chris Walters
Chief Executive

Appointed
September 2018

Relevant strengths
- Business regeneration and growth.
- Engineering expertise and credentials.
- Energy and marine sector knowledge and network.
- Multi-division, multi-region operations management.

Relevant experience
- Master's degree-qualified Chartered Engineer with over 25 years of experience. MBA from Imperial College, London.
- Fellow of the Royal Institution of Naval Architects and Fellow of the Institution of Marine Engineers, Science & Technology.
- Background in engineering design, construction and through-life integrity management for marine and oil and gas operational assets.
- Senior executive career with Lloyd's Register Group, including roles in the UK and overseas and the management of the Group's global marine and oil and gas certification businesses.
- Chief Executive and co-owner of VCT-backed oil and gas technology SME, TSC Inspection Systems.

External commitments
- Trustee of the Royal National Lifeboat Institution (RNLI) and member of the Technical Committee.

Committee key

A Audit and Risk Committee
N Nomination Committee
R Remuneration Committee
■ Chairman
□ Member

James Locking
Chief Financial Officer

Appointed
May 2021

Relevant strengths
- Management information and data analytics
- M&A and financial due diligence
- IFRS financial reporting
- Audit

Relevant experience
- Two years as Group Financial Controller and Interim Chief Financial Officer for Pressure Technologies plc.
- 25 years experience in senior financial roles.
- Qualified as a Chartered Accountant with KPMG.
- Company board and committees, including Audit and Risk.
- Degree in Accountancy from the University of Sheffield.

Tim Cooper
Independent
Non-Executive Director

Appointed
January 2020

Relevant strengths
- Strong commercial expertise in industrial markets.
- Operational management in manufacturing organisations.
- Growing international, technically based businesses.

Relevant experience
- Over 40 years' of international business experience in FTSE plc, Venture Capital and privately-owned companies.
- Former Executive Director of Victrex plc for seven years and has previously held Managing Directorships of Umeco plc, Tellermate plc and Avery Berkel Limited.
- BA (Hons) in Business Studies.
- Institute of Directors Certificate in Company Direction.

External commitments
- Senior Independent Non-Executive Director of Renold plc and Chair of their Remuneration Committee.

Mike Butterworth
Independent
Non-Executive Director

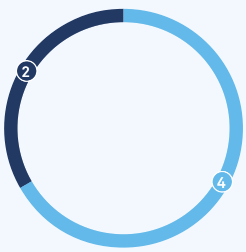
Appointed
June 2020

Relevant strengths
- 18 years' experience in Chair of Audit Committee and Non-Executive Director roles.
- Cross-sector expertise.
- Chief Financial Officer of FTSE 250 company.

Relevant experience
- Qualified chartered accountant with an Honours degree in Philosophy, Politics and Economics from the University of Oxford.
- Former Chief Financial Officer at Incepta Group plc and Cookson Group plc, a FTSE 250 business.
- Former Non-Executive Director and Chair of the Audit Committee of Kin and Carta plc, Johnston Press plc, Cambian Group plc and Stock Spirits Group plc.
- Former Senior Independent Director at Kin and Carta plc and Johnston Press plc.

External commitments
- Non-Executive Director and Chair of the Audit Committee of both Hammerson plc and Focusrite plc.

Board composition



1. Executive Directors: **2**
2. Non-Executive Directors: **4**

Board attendance

11/11

Board meeting attendance

11/11
4/4
11/11
11/11
11/11
11/11

Audit and Risk attendance

3/3
3/3
3/3

Nomination attendance

2/2
2/2
2/2
2/2

Remuneration attendance

5/5
5/5
5/5
5/5

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee comprises at least two Non-Executive Directors and is chaired by Brian Newman. The Committee meets when necessary and is responsible for determining the remuneration packages of the Executive Directors and the Chairman. The remuneration of the Non-Executive Directors is set by the Board annually. All members attended all five meetings during the year. The Committee meets not less than four times a year in a formal capacity and forms sub-groups to address specific matters as necessary outside of these meetings.

Policy on remuneration of Executive Directors

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

a) Basic salary and benefits

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

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

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

b) Annual performance related cash bonus scheme

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

c) Long Term Incentive Plan

2018 Long Term Incentive Plan

Under the terms of this plan, introduced in September 2018, each participant has the right to receive new ordinary shares of 5 pence each in the Company equal to a fixed percentage of the value created for shareholders above a hurdle over the period from the date of grant. Awards are subject to certain performance conditions, principally delivering growth in the value of the Company above a share price hurdle which is adjusted for value returned to shareholders over the Performance Period. In this way, the Board can incentivise senior employees in a manner that is closely aligned with the interests of the Company's shareholders.

The awards, which can be acquired for nil consideration, are subject to an individual maximum value. 50% of awards will vest after the expiry of the Performance Period, 30% on the first anniversary of the expiry of the Performance Period and 20% on the second anniversary of the expiry of the Performance Period in accordance with the rules of the LTIP. The participants will have no right to any payment of cash, rather they will become shareholders in the Company. In this way, the interests of the participants will be aligned with those of all other shareholders.

On 3 September 2018, awards were granted to two Executive Directors and three senior managers. The fair value of these awards at time of grant, as estimated by the Group's external valuation specialists, was £239,000. The amount of the award was based upon performance criteria relating to growth in the share price and dividends over the period to 13 August 2021. Given the performance of the share price and the non-payment of dividends over this period, the awards have now lapsed in full.

2021 Value Creation Plan

No LTIP awards have been made in the three-year period to 2 October 2021 reflecting the difficult trading environment in recent years and the uncertainty created by the Covid-19 pandemic.

During the course of the year, the Committee determined that it would be appropriate to introduce a new LTIP, the 2021 Value Creation Plan. The Committee worked with its remuneration consultants, PricewaterhouseCoopers, to design the plan and then met with leading shareholders, representing just over half of the then share register, in March 2021 to seek and obtain their support. It is anticipated that the first awards under this new plan will be made in January 2022 shortly after the announcement of the Group's results for the 52 weeks to 2 October 2021.

Under the terms of this proposed plan, each participant has the right to receive new ordinary shares of 5 pence each in the Company equal to a fixed percentage of the value created for shareholders above a share price hurdle over the three-year period from the date of grant. Participants of the plan include the two current Executive Directors and other senior managers, but not the other Non-Executive Directors. With this plan the Board can incentivise Executive Directors and senior employees in a manner that is closely aligned with the interests of the Company's shareholders.

The awards, which can be acquired for nil consideration, are subject to an individual maximum value. 100% of awards will vest after the expiry of the three-year Performance Period but will be subject to a further two-year holding period. The participants will have no right to any payment of cash, rather they will become shareholders in the Company. In this way, the interests of the participants will be further aligned with those of all other shareholders.

d) Service contracts

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

Directors' remuneration

Particulars of Directors' remuneration are as follows:

	Salary and fees £'000	Benefits £'000	Pension £'000	Total 2021 £'000	Total 2020 £'000	Employers' national insurance 2021 £'000	Employers' national insurance 2020 £'000
Non-Executive:							
Sir Roy Gardner	**65**	**—**	**—**	**65**	46	**6**	2
Brian Newman	**40**	**—**	**—**	**40**	40	**4**	4
Tim Cooper	**40**	**—**	**—**	**40**	27	**4**	2
Mike Butterworth	**40**	**—**	**—**	**40**	11	**4**	1
Neil MacDonald	**—**	**—**	**—**	**—**	28	**—**	4
Executive:							
Chris Walters*	**207**	**2**	**10**	**219**	239	**33**	34
James Locking**	**54**	**1**	**9**	**64**	—	**7**	—
Joanna Allen	**—**	**—**	**—**	**—**	318	**—**	24
Total remuneration	**446**	**3**	**19**	**468**	709	**58**	71

* Chris Walters' salary of £215,000 was subject to a voluntary reduction of 20% for the month of October 2020 to support Group cost saving measures. His total remuneration in 2021 excludes £28,221 (2020: £57,842) of taxable accommodation and travel expenses and £10,013 (2020: £nil) of taxable allowance in lieu of employer pension contributions.

** James Locking was appointed a Director on 11 May 2021.

Part of the remuneration of Sir Roy Gardner was paid to a management company which he controls.

The number of Directors who accrued benefits under money purchase pension arrangements in the period was two (2020: two).

Chris Walters salary for the year ending 1 October 2022 will remain at its current level of £215,000 per annum.

James Locking joined the Board of Directors, as Chief Financial Officer, on 11 May 2021 and his salary for the year ended 2 October 2021 of £140,000 per annum has been pro-rated. His salary for the year ending 1 October 2022 will remain at its current level.

No bonus was paid to either of the two Executive Directors in respect of the year ended 2 October 2021. Bonus arrangements for the year ending 1 October 2022 have been agreed by the Remuneration Committee and will be based 80% on the achievement of profit targets in the Group's Budget for the year ending 1 October 2022, and 20% on personal objectives. However, the maximum amount payable under the bonus arrangements will not exceed the current policy limit of 50% of salary.

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

No Directors received dividends during the year (2020: nil).

Directors' share awards and options

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

2018 Long Term Incentive Plan:
Chris Walters received a share award under this plan in September 2018. This award lapsed during the year as the performance conditions were not met.

2021 Value Creation Plan:
It is anticipated that the first awards under this new plan will be made to the two Executive Directors, Chris Walters and James Locking, in January 2022.

Save-As-You-Earn (SAYE) scheme:
The movements in share options held by Directors relating to the Group's SAYE scheme in the period is as follows:

	Chris Walters No.	James Locking No.
Outstanding at the beginning of the period	21,818	—
Granted before becoming a Director	—	16,363
Granted during the period	4,736	—
Outstanding at the end of the period	26,554	16,363

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

On behalf of the Board

Brian Newman
Chairman, Remuneration Committee

17 January 2022

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the period from 4 October 2020 to 2 October 2021.

Principal activities

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

Cylinders

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

Precision Machined Components

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

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

Roota Engineering Limited (Roota) whose principal activity is the manufacture of precision engineered products for use in the oil and gas industry. The Roota business also includes the operations of the former Quadscot business which was transferred to Roota in June 2020.

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

Results and dividends

The consolidated statement of comprehensive income is set out on page 62. The adjusted operating loss on ordinary activities of the Group for the period ended 2 October 2021 amounted to £0.7 million (2020: £2.4 million adjusted loss). The Group made a loss before taxation of £4.2 million (2020: £20.0 million).

No interim dividend was paid in the period (2020: £nil). The Directors do not recommend the payment of a final dividend (2020: £nil).

Environment

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

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

The Group had no notifiable environmental incidents in 2021 (2020: nil).

Substantial shareholdings

As at 31 December 2021, the following held or were beneficially interested in 3% or more of the Company's issued ordinary share capital:

	Number of shares	Percentage of issued share capital owned
Schroder Investment Management	8,137,304	26.19%
Harwood Capital	4,295,394	13.83%
Premier Miton Group	2,578,747	8.30%
James Sharp & Co	1,684,745	5.42%
Gresham House	1,553,867	5.00%
Hargreaves Lansdown	1,471,941	4.74%
Interactive Investor Trading	1,207,030	3.89%
A J Bell Securities	1,152,628	3.71%

Directors and their interests

The present Directors of the Company are set out on page 105.

During the year the following Directors held office:

Sir R.A. Gardner
C.L. Walters
J. Locking (appointed 11 May 2021)
B.M. Newman
T.J. Cooper
M.G. Butterworth

All Directors were Directors throughout the period and since unless otherwise stated. On 12 November 2021, it was announced that Sir R.A. Gardner had informed the Company of his intention to step down as Chairman and Non-Executive Director before the next Annual General Meeting in March 2022. A process has been initiated to identify and appoint a Non-Executive Director to succeed to the position of Chair.

Ordinary shares	**2 October 2021 No.**	3 October 2020 No.
Sir R.A. Gardner	**356,667**	160,000
C.L. Walters	**84,667**	18,000
M.G. Butterworth	**80,800**	—
B.M. Newman	**30,000**	10,000
T.J. Cooper	**11,667**	—

Share options

Details of the share options granted in the period are disclosed in Note 26 to the consolidated financial statements.

The Directors' interests in share options are disclosed in the report of the Remuneration Committee.

Financial instruments

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

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

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

Directors' indemnities

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

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

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

Going concern
The financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The principal risks and uncertainties are set out on pages 28 to 33. 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.

The Group's Revolving Credit Facility (RCF) was amended subsequent to the year end in October 2021. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

Management have produced forecasts for the period up to March 2023 for all business units, taking account of reasonably plausible changes in trading performance and market conditions, which have been reviewed by the Directors. These reasonably plausible changes include the continued impact of the Covid-19 pandemic and the impact of the currently depressed oil and gas market. The forecasts demonstrate that the Group is forecast to generate profits and cash in the current financial year and beyond and that the Group has sufficient cash reserves and headroom in the financial covenants to enable the Group to meet its obligations as they fall due for a period of at least 14 months from the date when these financial statements have been signed. The Directors believe that, in the event that the assumptions in the forecast are not being realised such that a future potential covenant breach is anticipated, there are a number of mitigating actions that could be taken, including further cost reductions and cash management actions, that could help prevent a potential covenant breach from occurring. After undertaking these assessments and considering the uncertainties set out above, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future and for these reasons they continue to adopt the going concern basis in preparing the financial statements.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors confirm that:

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

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

Auditor
Grant Thornton UK LLP are willing to continue in office and a resolution to reappoint them will be proposed at the next Annual General Meeting.

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

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

Subsequent events
Subsequent to year end, on 22 October 2021, the Group's Revolving Credit Facility (RCF) was amended. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

By order of the Board

Chris Walters
Chief Executive

17 January 2022

AUDIT AND RISK COMMITTEE REPORT

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

Role of the Committee
The Committee's primary responsibilities are to:-

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

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

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

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

External audit
The Group's external auditors are Grant Thornton UK LLP ("Grant Thornton").

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

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

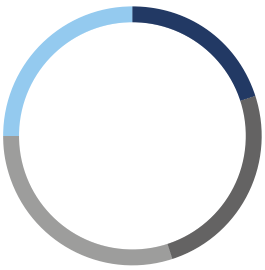
The Committee formally met with Grant Thornton three times during the year (i) after the conclusion of the full-year FY20 audit when the audit findings were presented, (ii) after the conclusion to their limited review of the interim results and (iii) to approve the annual audit plan.

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

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

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

How the Committee has spent its time



- Governance: 20%
- Risk management: 25%
- Financial reporting: 30%
- Audit: 25%

Internal controls

Details of the key risks which the Group faces, the key controls in place to control those risks and the system of risk management adopted by the Group are set out on pages 28 to 33. The Committee has evaluated the effectiveness of the internal controls and the risk management system operated. The evaluation covered all controls including financial, operational, risk management and compliance.

The year under review has continued to see significant disruption to the business due to the Covid-19 pandemic, particularly for the Precision Machined Components (PMC) division which experienced a significant reduction in activity due to depressed oil and gas markets, resulting in the need for additional restructuring measures. Chesterfield Special Cylinders (CSC) also experienced some supply chain disruptions and the delay of a number of Integrity Management deployments. Covid-19 has also resulted in delays to the ERP system upgrade project in CSC. These programmes will be restarted as soon as possible in the coming year in order to underpin the continuous improvement in the internal control environment. There will also be increased focus on the assessment of new areas of risk as the Group delivers its organic growth strategy.

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

The Group does not have a specific internal audit department. The need for an internal audit department is considered from time to time but currently it is regarded that the costs would outweigh the benefits. If required, external specialists are brought in to perform specific reviews of areas considered a risk. During the year consultants have been engaged for system upgrades and specific tax matters and treasury advice.

Contract accounting judgements

As explained more fully in our accounting policies on page 68, the CSC division derives a significant proportion of turnover from contracts that span one or more years and are accounted for under the relevant accounting standard, IFRS 15.

Contract costs and revenues may be affected by a number of uncertainties that are dependent on the outcome of future events and therefore estimates may need to be revised as events unfold and uncertainties are resolved.

During the year, the Committee examined the methodologies applied to key judgements and were in agreement with the position adopted.

A restatement of Consolidated Statement of Financial Position as at 3 October 2020 and 28 September 2019 has been undertaken to correct an error, which had resulted in the incorrect presentation of contract assets and contract liabilities relating to ongoing contracts (see Note 32). This restatement had no impact on the Consolidated Statement of Comprehensive Income for FY20 and FY19.

Asset impairment review – PMC division

The Covid-19 pandemic has had a significant negative impact on the PMC division as a result of the depressed oil and gas market, which is the key end-market for this division. In the 53 weeks ended 3 October 2020, the Group recorded an impairment charge of £13.9 million representing both the entire value of goodwill and the substantial majority of the intangible assets of the PMC division. As the impact of the Covid-19 pandemic has continued during the current financial year, this is considered to remain an indicator that the carrying value of the remaining intangible and tangible assets in the PMC division may be impaired.

As part of this impairment review, management has considered a range of economic conditions for the sectors in which the PMC division operates that may exist over the next three years. These economic conditions, together with reasonable and supportable assumptions, have been used to estimate the future cash inflows and outflows for the PMC cash-generating unit over the next three years. These forecasts have been prepared by management and are based on a bottom-up assessment of costs and use the current and estimated future sales pipeline. The forecasts used for years two to three assume revenue growth, along with a 2.2% long-term rate of growth or inflation incorporated into the perpetuity calculation at the end of year three. A value in use calculation has been calculated by applying a discount rate of 11.0% to the cash flows in these forecasts. The resulting value in use calculation indicated that no impairment was required in the current year. The Committee considered this value in use calculation prepared by management, including the reasonableness of the underlying assumptions, and confirmed the conclusion that no impairment was required.

Carrying value of investments in subsidiary undertakings – company only accounts

In the company-only accounts of Pressure Technologies plc, the Company's policy on accounting for investments in subsidiary undertakings is set out on page 100. The results of this year's impairment testing indicated that an impairment of £0.7 million was required in respect of the Company's investment in the holding company, PT Precision Machined Components Limited, which owns the subsidiary companies that comprise the operations of the PMC division.

As part of the testing, the Committee has reviewed the key assumptions behind this valuation; notably the expected development of future cash flows and the discount rates used, as well as considering reasonable sensitivities to these estimates, and concluded that the impairment noted above was required.

Asset impairment review – freehold property
During the course of the year, in connection with discussions to amend and extend the Group's banking facilities, the Group obtained a property valuation from an independent chartered surveyor, Lambert Smith Hampton, for the freehold property used by CSC at Meadowhall Road, Sheffield. As a result of this valuation, an impairment of £655,000 has been recorded to the carrying value of freehold property. The Committee considered the valuation and the calculation of the impairment and confirmed that an impairment was required.

Asset impairment review – assets under construction
Included in tangible fixed assets within Assets under Construction is £829,000 along with associated costs of £289,000 held in prepayments, relating to the internal and third-party costs incurred in the current and prior years associated with the development of a new ERP system in the CSC division. As also noted in the prior year, the Covid-19 pandemic has resulted in delays in finalising this project such that it has effectively being at standstill for nearly two years. Improvements to the incumbent ERP system in CSC have recently become available which the Group is currently assessing for suitability and cost. Whilst this review is not yet complete, an initial assessment indicates that upgrading the incumbent system to the recently announced software version, rather than completing the development of the new system, may be a more appropriate and cost-effective route to improving the ERP system in CSC. As a result, management have determined that there is an indicator of impairment of the Asset under Construction and the associated prepayment relating to the development of CSC's ERP system. Following an impairment review, management have recorded an impairment charge of £1,118,000 to fully write off this asset. This impairment has been reflected as a non-cash exceptional item. The Committee reviewed management's rationale for, and the calculation of, the impairment and concluded that the impairment noted above was required.

Going concern
In assessing whether the Group is a going concern, and accordingly making our recommendation to the Board, the Committee considered a paper prepared by management based on recent guidance published by the Financial Reporting Council. The assessment was made for the period of 15 months from the date of this report, in accordance with accepted practice. Based on internal forecasts, we reviewed the Group's debt maturity profile, including headroom and compliance with financial covenants, and its capital structure. We stress tested this by adjusting the Group's internal forecast cash flow by a combination of the principal risks we have identified – notably delays in key contracts in CSC and reductions in PMC activity due to further delays in the forecast improvement in oil and gas markets. The review took into account the extension and amendment of the Group's bank facilities, which was completed in October 2021. This amendment reduced the Group's bank facilities from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. Based on the above, the Committee concluded that the application of the going concern basis for the preparation of the Annual Report and Financial Statements remained appropriate.

Exceptional items
The classification of Exceptional items was considered by the Committee due to their nature and value. For the current year, Exceptional items included costs associated with divisional and Group restructuring, specific obsolete stock provisions and bank refinancing and related legal costs. No further similar costs are expected in FY22. The Committee reviewed reports from management outlining the accounting policy on the classification of Exceptional items (set out on page 73) and satisfied itself that it was appropriate to separately identify these items on the face of the income statement to assist in the understanding of the underlying financial performance achieved by the Group.

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

Approved by the Board and signed on its behalf by:

Mike Butterworth
Chair of the Audit & Risk Committee

17 January 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRESSURE TECHNOLOGIES PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Pressure Technologies plc (the 'parent company') and its subsidiaries (the 'group') for the 52 week period ended 2 October 2021, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 2 October 2021 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

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

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

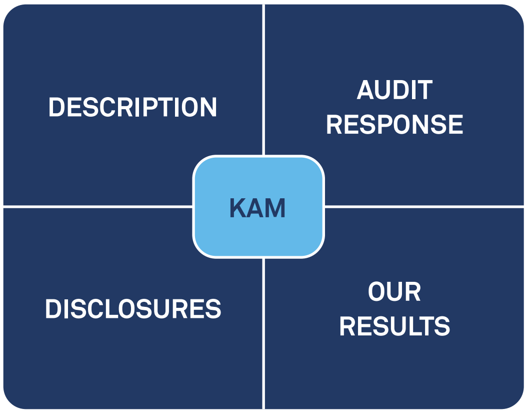
The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

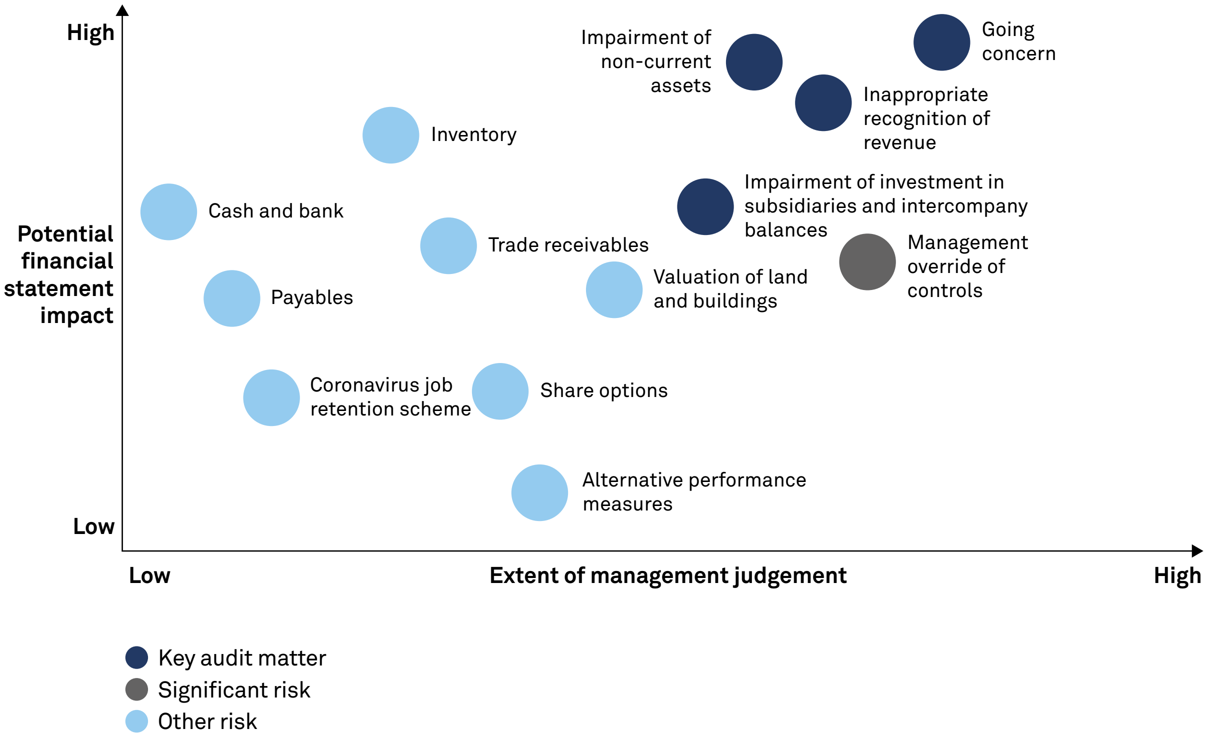
	OVERVIEW OF OUR AUDIT APPROACH
MATERIALITY	Overall materiality: Group: £263,000, which represents 1% of the group's revenue. Parent company: £89,000, which is 0.5% of the parent company's total assets, which has been capped at its component materiality.
KEY AUDIT MATTERS	Key audit matters were identified as: Going concern (Group) – same as previous period; Inappropriate recognition of revenue (Group) – same as previous period; Impairment of non-current assets (Group) – same as previous period; and Impairment of investments in subsidiaries and recoverability of intercompany balances (parent company) – same as previous period. Our auditor's report for the 53 week period ended 3 October 2020 included one key audit matter that has not been reported as a key audit matter in our current period's report. This relates to the impairment of goodwill which was impaired in full in the period to 3 October 2020 and is not considered to be a key audit matter in this period.
SCOPING	We have performed an audit of the financial statements of components using component materiality (full scope audit) on the financial statements of Pressure Technologies plc and the two directly held trading subsidiaries; audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit procedures) on remaining UK based trading subsidiaries; and analytical procedures at group level (analytical procedures) on the foreign trading subsidiaries. 75% of group revenue and 47.5% profit before tax was subjected to full scope procedures with 72.7% of the total asset balance being subject to full scope procedures. All audit work was performed by the group engagement team. There have been no changes in scope from the prior year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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



KEY AUDIT MATTER – GROUP

Going concern

We identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.

In respect of the group's banking facilities, there was a breach of the interest covenant at the 31 March 2021 test date and a forecast breach of the same covenant at 30 June 2021 test date resulting in the group being in default of their banking facility.

The facility was subsequently reduced and the associated debt covenants were amended. The facility was fully drawn down at the year end. This had a significant impact on the assessment of group's ability to continue as a going concern.

Covid-19 is one of the most significant economic events for the UK, and at the date of this report there is an unprecedented level of uncertainty as to the ultimate impact of these events on the group and the parent company, given the sector within which they operate. In undertaking their assessment of going concern for the group and the parent company, the directors considered the impact of Covid-19 in their forecast future performance of the group and the parent company and the anticipated cash flows as follows:

- the current financing available to the group and associated debt covenants;
- cost saving actions that the group have implemented as a result of the Covid-19 pandemic; and
- the potential impact on revenues generated from customers based on a number of Covid-19 related scenarios.

The directors have concluded, based on the various scenarios developed, that the group and the parent company have sufficient resources available to meet their liabilities as they fall due for at least 12 months following the date of approval of the financial statements, and have concluded that there are no material uncertainties that may cast significant doubt over the group's and the parent company's ability to continue as a going concern.

As a result of the judgements required by management to conclude whether there is a material uncertainty related to going concern, we have identified going concern as a key audit matter.

HOW THE MATTER WAS ADDRESSED IN THE AUDIT – GROUP

In responding to the key audit matter, we performed the following audit procedures:

- Obtained management's forecasts covering the period from 3 October 2021 to 31 March 2023, including their assessment of the potential impact of Covid-19, future financing expectations and covenant compliance and assessed how these forecasts were compiled, including assessing their accuracy by challenging the reasonableness of the underlying assumptions, including the discount rate and growth rate, and considering whether the assumptions are consistent with our understanding of the business;
- Obtained post year end management accounts and assessed them against the forecasts used in the impairment review for the same period to assess any potential impact over the forecast period of the variances identified;
- Assessed the accuracy of management's past forecasting by comparing management's forecasts for the prior year to the actual results for the prior year and considering the impact on the cash flow forecast;
- Assessed management's cash and available financing facilities as well as the continued support of lenders including discussing the revised facilities directly with the group's lenders;
- Assessed whether the forecasts appropriately considered the revised covenants;
- Corroborated any mitigating actions taken by management to support the going concern assumption to relevant documentation;
- Performed further sensitivity analysis to management's reverse stress test including assessing the likelihood of the scenario, to determine the reduction in revenue and consequently earnings after tax that would lead to elimination of the headroom in their cash flow forecasts; and
- Assessed the adequacy of the going concern disclosures included within the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Relevant disclosures in the Annual Report and Accounts 2021

- Directors' report: Going concern.
- Audit and Risk Committee Report: Going concern.
- Financial statements (Group): Accounting policies, Going concern.

Our results

We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

KEY AUDIT MATTER – GROUP	HOW THE MATTER WAS ADDRESSED IN THE AUDIT – GROUP
Inappropriate recognition of revenue We identified the inclusion of fraudulent transactions within revenue as one of the most significant assessed risks of material misstatement due to fraud. Revenue is a major driver of the business and under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumption that there are risks of fraud in revenue recognition, that could result in material misstatements. Revenue recorded in the financial statements is £25,284,000 (2020: £25,403,000). The group has entered into contracts which span the 2 October 2021 year end with varying terms and degrees of complexity, generating revenue 'over time'. The group also recognises revenue from other income streams at a 'point in time'. There is a significant risk of fraudulent reporting due to the judgemental nature of assessing revenue recognised, using the 'over time' principles in IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15'). We pinpointed the significant risk in respect of revenue as arising in the open elements of the contracts which are subject to manual adjustment around the year end. Management's assessment includes a number of estimates: • Estimated total contract costs; • Estimated stage of completion derived from the total contract costs; and • Forecasted margin which is also derived from total contract costs.	In responding to the key audit matter, we performed the following audit procedures: • Documented and assessed the design and implementation of controls around revenue recognition through the performance of walkthroughs; • Assessed whether the revenue recognition policy is in accordance with IFRS 15; • In respect of revenue recognised 'over time', selected a sample of contracts and assessed whether revenue has been recognised in accordance with the group's accounting policy and IFRS 15; • With reference to IFRS 15, evaluated each of the five steps of revenue recognition, recalculating any contract asset / liabilities in relation to the transaction and agreed to supporting documentation for each; • Selected a sample of contract asset / liability balances and agreed these to supporting documentation to ensure revenue has been recognised appropriately; • In respect of revenue recognised 'at a point in time', we have used a combination of reliance on the operating effectiveness of controls, utilisation of Audit Data Analytics tools and have carried out substantive testing on certain samples of revenue transactions; • Performed analytical procedures, including trend and ratio analysis comparing results to prior year; and • Tested revenue recognised around the year end to confirm that it is recorded in the correct year.
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements (Group): Accounting policies, critical accounting judgements, stage of completion on contracts. • Financial statements (Group): Note 1, Segment analysis.	**Our results** Based on our audit work, we did not identify any material misstatements in revenue recognition

KEY AUDIT MATTER – GROUP	HOW THE MATTER WAS ADDRESSED IN THE AUDIT – GROUP
Impairment of non-current assets We identified impairment of non-current assets as one of the most significant assessed risks of material misstatement due to error. Non-current assets recorded in the financial statements are £13,201,000 (2020: £15,235,000). There is a risk that the carrying amount exceeds the recoverable amount of these assets. The PMC subsidiary, which is also a CGU, has suffered losses in the period which may be an indication of impairment. As required by IAS 36, management performs an impairment review where there is any indication that an impairment has occurred. Recoverable amount is assessed either using discounted cash flows on a value in use basis or a fair value less costs to sell. This involves management making a number of key judgements. The key judgements in assessing non-current assets for impairment include: The growth rates applied throughout the cash flow and in the terminal year, due to the sensitivity of these assumptions to changes; and The discount rate applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes.	In responding to the key audit matter, we performed the following audit procedures: • Assessed whether the accounting policy for intangible assets is in accordance with IAS 36, and whether the accounting policy had been applied consistently through our assessment of the impairment model; • Assessed the integrity of the impairment models by testing the mechanical and mathematical accuracy; • Obtained an understanding of the process used by management to determine the discount rates, and using auditor's internal experts to evaluate them against their expectations and the industry norms; • Assessed the appropriateness of the CGUs identified and the allocation of assets and cashflows to these CGUs; • Assessed the appropriateness of any changes to assumptions since the prior year; • Challenged the cash flow forecasts and growth rates with reference to historical forecasts and actual performance to assess management's ability to forecast accurately; and • Assessed the adequacy of the disclosures included within the financial statements for compliance with IAS 36.
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements (Group): Accounting policies, critical accounting judgements.	**Our results** Based on our audit work, we are satisfied that non-current assets have been accounted for in accordance with IAS 36. We agree that no impairment is appropriate for non-current assets. The disclosures made in Note 12 to the consolidated financial statements appropriately describe this matter.

KEY AUDIT MATTER – PARENT COMPANY	HOW OUR SCOPE ADDRESSED THE MATTER – PARENT COMPANY
Impairment of investments in subsidiaries and recoverability of intercompany balances We identified impairment of investments in subsidiaries and recoverability of intercompany balances as one of the most significant assessed risks of material misstatement due to error. Investments in subsidiaries are recorded in the financial statements, after an impairment of £681,000, at £5,770,000 (2020: £6,451,000) and intercompany debtors are recorded in the financial statements at £4,991,000. There is a risk that the carrying amounts exceed the recoverable amounts of these investments and intercompany balances. The PMC subsidiary, which is also a CGU, has suffered losses in the period which may be an indication of impairment. As required by IAS 36, management performs an impairment review where there is any indication that an impairment has occurred. Recoverable amount is assessed either using discounted cash flows on a value in use basis or a fair value less costs to sell. The key judgements made by management in assessing the valuation of investments include the growth and discount rates applied in the discounted cash flow calculations, due to the sensitivity of these assumptions to changes.	In responding to the key audit matter, we performed the following audit procedures: • Assessed whether the accounting policy for investments in subsidiaries is in accordance with IAS 27 'Separate Financial Statements' ('IAS 27') and IAS 36, and whether the accounting policy had been applied consistently; • Assessed the integrity of the impairment models by testing the mechanical and mathematical accuracy; • Obtained an understanding of the process used by management to determine the discount rates, and using auditor's internal experts to evaluate them against their expectations and the industry norms; • Assessed the appropriateness of any changes to assumptions since the prior year; • Challenged the cash flow forecasts and growth rates with reference to historical forecasts and actual performance to assess management's ability to forecast accurately; and • Assessed the adequacy of the disclosures included within the financial statements for compliance with IAS 27 and IAS 36.
Relevant disclosures in the Annual Report and Accounts 2021 • Company financial statements: Note 4, Investments in subsidiary companies.	**Our results** Based on our audit work, we concluded that the impairment of investments and recoverability of intercompany balances has been accounted for in accordance with applicable accounting standards and concur with management's impairment of the investments balance at 2 October 2021. The disclosures made in Note 4 to the parent company financial statements appropriately describe this matter.

Our application of materiality

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

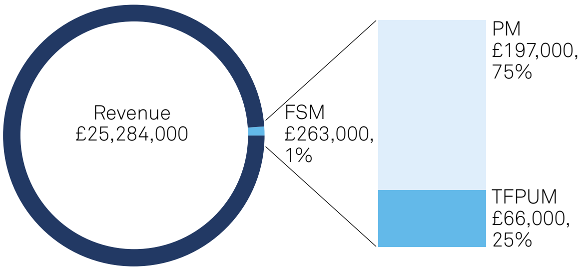
Materiality was determined as follows:

MATERIALITY MEASURE	GROUP	PARENT
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£263,000 which is 1% of group revenue.	£89,000 which is 0.5% of the parent company's total assets. This has been capped at its component materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: Revenue is a key performance indicator (KPI) of the group (as part of the growth and return KPI) and stable benchmark compared to the alternatives. Materiality for the current year is higher than the level that we determined for the 53 week period ended 3 October 2020 to reflect the increase in appropriate threshold for the benchmark.	In determining materiality, we made the following significant judgements: The primary objective of the parent company is to hold the investments in the group undertakings, as well as to provide financing. Materiality for the current year is lower than the level that we determined for the 53 week period ended 3 October 2020 as it has been capped at component materiality.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£197,000 which is 75% of financial statement materiality.	£67,000 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: In determining performance materiality, we assessed the strength of the control environment, including the effect of misstatements identified in previous audits, to make our judgement. Therefore, we consider the performance materiality percentage to be appropriate.	In determining performance materiality, we made the following significant judgements: In determining performance materiality, we assessed the strength of the control environment, including the effect of misstatements identified in previous audits, to make our judgement. Therefore, we consider the performance materiality percentage to be appropriate.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for Related party transactions.	We determined a lower level of specific materiality for Related party transactions.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£13,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£4,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

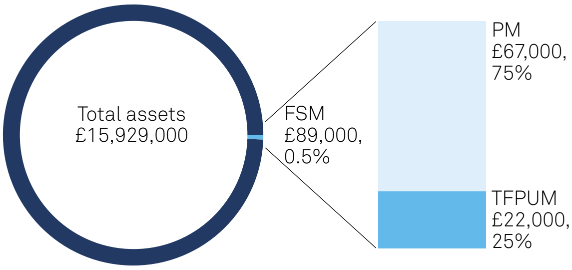
Our application of materiality continued

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

Overall materiality – Group



Overall materiality – Parent company



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

An overview of the scope of our audit

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

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

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;
- The engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, for example, the level of centralisation of the group control function and the use of service organisations; and
- We performed walkthroughs of key areas of focus, including significant risks, in order to confirm our understanding of the control environment across the Group.

Identifying significant components

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

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

- The engagement team performed a full-scope audit of the financial statements of the parent company and the two directly held trading subsidiaries;
- The engagement team performed specific-scope audit procedures on remaining UK based trading subsidiaries; and
- The engagement team performed analytical procedures on the foreign trading subsidiaries.

Performance of our audit

- All four KAMs were addressed with the audit of the full and specific-scope locations; and
- All audit procedures across all components were performed by the group engagement team in line with the scope described. There were no component teams engaged to support the group engagement team.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage loss before tax
Full-scope audit	3	72.7	75.0	47.5
Specific-scope audit	5	27.1	25.0	49.8
Analytical procedures	3	0.2	—	2.7
Total	**11**	**100**	**100**	**100**

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those related to the reporting frameworks (international accounting standards in conformity with the requirements of the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice, and the Companies Act 2006), as well as the relevant tax regulations.
- We assessed the susceptibility of Pressure Technologies plc's consolidated and parent company financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - revenue recognition, with the significant risk in respect of revenue being pinpointed as arising in the open elements of contracts which are subject to manual adjustment around the year end, as outlined in the Key Audit Matters; and
  - journal entries that would have a material impact on profit in the year; and
  - potential management bias in determining accounting estimates, especially in relation to their assessment of the valuation of non-current assets; and
  - transactions with all identified related parties outside the normal course of business.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the client operates; and
  - understanding of the legal and regulatory requirements specific to the entity including:
    - the provisions of the applicable legislation; and
    - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
  - the applicable statutory provisions.
- the entity's control environment, the adequacy of procedures for authorisation of transactions, internal review procedures over the entity's compliance with regulatory requirements, the authority of, and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any other key audit matters relating to irregularities, including fraud.

Use of our report

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

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

17 January 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 week period ended 2 October 2021

	Notes	52 weeks ended 2 October 2021 £'000	53 weeks ended 3 October 2020 £'000
Revenue	1	**25,284**	25,403
Cost of sales		**(18,569)**	(20,054)
Gross profit		**6,715**	5,349
Administration expenses		**(7,460)**	(7,728)
Operating loss before amortisation, impairment and other exceptional costs		**(745)**	(2,379)
Separately disclosed items of administrative expenses:			
Amortisation	4	**(224)**	(1,958)
Impairment	4	**(1,773)**	(13,878)
Other exceptional costs	5	**(1,044)**	(2,751)
Operating loss		**(3,786)**	(20,966)
Finance (costs)/income	2	**(412)**	977
Loss before taxation	3	**(4,198)**	(19,989)
Taxation	9	**772**	1,113
Loss for the period attributable to the owners of the parent		**(3,426)**	(18,876)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency exchange differences on translation of foreign operations		**33**	(13)
Total other comprehensive income/(expense)		**33**	(13)
Total comprehensive expense for the period attributable to the owners of the parent		**(3,393)**	(18,889)
Basic loss per share			
From loss for the period	10	**(12.0)p**	(101.5)p
Diluted loss per share			
From loss for the period	10	**(12.0)p**	(101.5)p

The accounting policies and notes on pages 66 to 93 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 2 October 2021

	Notes	**2 October 2021 £'000**	Restated 3 October 2020 £'000	Restated 28 September 2019 £'000
Non-current assets				
Goodwill		**—**	—	9,510
Intangible assets	12	**101**	325	6,598
Property, plant and equipment	13	**13,100**	14,910	14,142
Deferred tax asset	24	**1,138**	464	278
Other financial assets		**—**	—	7,350
		14,339	15,699	37,778
Current assets				
Inventories	17	**4,762**	5,252	4,669
Trade and other receivables	18	**9,061**	7,067	9,590
Cash and cash equivalents	29	**3,217**	3,416	2,208
Asset held for sale	14	**195**	580	—
Other financial assets	16	**—**	3,074	—
Current tax		**414**	—	95
		17,649	19,389	16,562
Total assets		**31,988**	35,088	54,340
Current liabilities				
Trade and other payables	19	**(5,474)**	(9,659)	(6,963)
Borrowings – revolving credit facility	20	**(4,773)**	—	(10,800)
Lease Liabilities	21	**(1,110)**	(1,209)	(656)
		(11,357)	(10,868)	(18,419)
Non-current liabilities				
Other payables	19	**(241)**	(538)	(158)
Borrowings – revolving credit facility	20	**—**	(6,773)	—
Lease Liabilities	21	**(2,245)**	(2,843)	(2,116)
Deferred tax liabilities	24	**(1,068)**	(752)	(1,561)
		(3,554)	(10,906)	(3,835)
Total liabilities		**(14,911)**	(21,774)	(22,254)
Net assets		**17,077**	13,314	32,086
Equity				
Share capital	25	**1,553**	930	930
Share premium account		**—**	26,172	26,172
Translation reserve		**(260)**	(293)	(280)
Retained earnings		**15,784**	(13,495)	5,264
Total equity		**17,077**	13,314	32,086

A restatement of the Consolidated statement of financial position as at 3 October 2020 and 28 September 2019 has been undertaken to correct an error, which had resulted in the incorrect presentation of contract assets and contract liabilities relating to ongoing contracts (see Note 32).

The accounting policies and notes on pages 66 to 93 form part of these financial statements.

The financial statements were approved by the Board on 17 January 2022 and signed on its behalf by:

James Locking
Chief Financial Officer

Company Number: 06135104

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 52 week period ended 2 October 2021

	Notes	Share capital £'000	Share premium account £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 28 September 2019		930	26,172	(280)	5,264	32,086
Share based payments	26	—	—	—	117	117
Transactions with owners		—	—	—	117	117
Loss for the period		—	—	—	(18,876)	(18,876)
Other comprehensive expense:						
Exchange differences on translating foreign operations		—	—	(13)	—	(13)
Total comprehensive expense		—	—	(13)	(18,876)	(18,889)
Balance at 3 October 2020		930	26,172	(293)	(13,495)	13,314
Shares issued	25	623	6,401	—	—	7,024
Share based payments	26	—	—	—	132	132
Capital reduction transfer		—	(32,573)	—	32,573	—
Transactions with owners		623	(26,172)	—	32,705	7,156
Loss for the period		—	—	—	(3,426)	(3,426)
Other comprehensive income:						
Exchange differences on translating foreign operations		—	—	33	—	33
Total comprehensive income/(expense)		—	—	33	(3,426)	(3,393)
Balance at 2 October 2021		**1,553**	**—**	**(260)**	**15,784**	**17,077**

The accounting policies and notes on pages 66 to 93 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 52 week period ended 2 October 2021

	Notes	**52 weeks ended 2 October 2021 £'000**	53 weeks ended 3 October 2020 £'000
Operating activities			
Cash flows from operating activities	27	**(6,166)**	1,707
Finance costs paid		**(412)**	(188)
Income tax refunded		**—**	213
Net cash (outflow)/inflow from operating activities		**(6,578)**	1,732
Investing activities			
Proceeds from sale of financial assets held at FVTPL		**—**	3,145
Proceeds from sale of associate		**—**	297
Proceeds from sale of fixed assets		**477**	268
Proceeds from repayment of Promissory Note		**3,074**	2,000
Purchase of property, plant and equipment		**(1,325)**	(2,103)
Net cash generated from investing activities		**2,226**	3,607
Financing activities			
Repayment of borrowings		**(2,000)**	(4,250)
Proceeds from new borrowings		**—**	223
Repayment of lease liabilities		**(1,805)**	(1,301)
Shares issued net of transaction costs		**7,024**	—
Proceeds from asset financing		**934**	1,197
Net cash generated from/(used in) financing activities		**4,153**	(4,131)
Net (decrease)/increase in cash and cash equivalents		**(199)**	1,208
Cash and cash equivalents at beginning of period		**3,416**	2,208
Cash and cash equivalents at end of period		**3,217**	3,416

The accounting policies and notes on pages 66 to 93 form part of these financial statements.

ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared in accordance with international accounting standards, in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with Financial Reporting Standard 101 (FRS 101). These are presented on pages 94 to 104. 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 2 October 2021. The consolidated financial statements have been prepared on a going concern basis.

Going concern
The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The principal risks and uncertainties are set out on pages 28 to 33. 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.

The Group's Revolving Credit Facility (RCF) was amended subsequent to the year end in October 2021. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

Management have produced forecasts for the period up to March 2023 for all business units, taking account of reasonably plausible changes in trading performance and market conditions, which have been reviewed by the Directors. These reasonably plausible changes include the continued impact of the Covid-19 pandemic and the impact of the currently depressed oil and gas market. The forecasts demonstrate that the Group is forecast to generate profits and cash in the current financial year and beyond and that the Group has sufficient cash reserves and headroom in the financial covenants to enable the Group to meet its obligations as they fall due for a period of at least 14 months from the date when these financial statements have been signed. The Directors believe that, in the event that the assumptions in the forecast are not being realised such that a future potential covenant breach is anticipated, there are a number of mitigating actions that could be taken, including further cost reductions and cash management actions, that could help prevent a potential covenant breach from occurring. After undertaking these assessments and considering the uncertainties set out above, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future and for these reasons they continue to adopt the going concern basis in preparing the financial statements.

New standards adopted in 2021
No new standards were applied during the year.

Adoption of new and revised standards
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.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, which are described below, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions that have a material risk to the carrying value of assets and liabilities within the next financial year are discussed below:

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

Impairment reviews – acquired intangible and tangible assets
The Group has acquired, through business combinations and through other acquisitions, intangible assets and capitalised certain assets, such as licence agreements and development costs, which are expected to generate revenue in the future but at a reporting period end may not have generated significant income at that time. At each reporting period date, the Directors review the likelihood of indefinite life assets generating income, the period over which this is likely to be achieved and the potential income that can be generated. Where it is probable the future recoverable amount will be in excess of capitalised costs the assets are held within the balance sheet at cost. Where this is not the case, an impairment charge will be recorded to adjust the assets to their recoverable amount.

Critical accounting judgements continued

Impairment reviews – internally generated software development costs

Internally generated software development costs included in tangible fixed assets comprise internal and third-party costs incurred in association with the development of an ERP system in the CSC division. The Covid-19 pandemic has resulted in delays in finalising this project. At each reporting period end, the Directors review the status of this project and ensure that the recoverable amount is in excess of the capitalised costs. Where this is not the case, an impairment charge will be recorded to adjust the asset to its recoverable amount.

Impairment reviews – freehold land and buildings

The Group holds a number of 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 a valuation of this building which indicated that an impairment of this asset was required.

Key sources of estimation uncertainty

Inventory provisions

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

Valuation of intangible assets

The Directors estimate the value of intangible assets with reference to any advice received, based on their experience of the value of such assets in similar businesses and under similar market conditions. The carrying value of intangible assets is disclosed in Note 12 to the financial statements.

Stage of completion on contracts

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

Contract costs

The Cylinders division has a number of sources of revenue, not all of which meet the criteria for recognition over time. The resources deployed are common to all activities and therefore internal labour and overhead costs attributed to a contract in determining the total contract cost reflects management's best estimate of the hours dedicated to the individual contracts.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 2 October 2021 (2020: to 3 October 2020). Subsidiaries are all entities which the Group has the power to control. The consolidated financial statements of the Group incorporate the financial statements of the parent company as well as those entities controlled by the Group.

Control is achieved when the Company:

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

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

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

Business combinations and goodwill

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of:

- fair value of consideration transferred;
- the recognised amount of any non-controlling interest in the acquiree; and
- acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets.

If the fair values of identifiable net assets exceed the consideration transferred, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

ACCOUNTING POLICIES CONTINUED

Revenue

Revenue recognition

Continuing revenue arises mainly from the manufacture of pressure containment products and components and related services in the Group's core sectors which are Oil and Gas, Defence, Industrial and Hydrogen Energy.

Under IFRS 15, in order to determine whether to recognise revenue, the Group follows a five-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining a transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

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

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

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

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

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

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

Share based employee remuneration

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

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

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

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

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

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

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

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

Buildings	50 years
Plant and machinery	3 – 15 years

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

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

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

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

Internally generated software development costs
Internally generated software development costs included in tangible fixed assets comprise internal and third-party costs incurred in association with the development of an ERP systems in the CSC division. The Covid-19 pandemic has resulted in delays in finalising this project. Amortisation of the costs capitalised will be started when the systems are implemented within the business.

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

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

Technology	7.5 – 15 years
IT systems and software licences	5 years
Development expenditure	5 – 15 years

Impairment testing of non-current assets
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combinations and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Leased assets

The Group as a lessee

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

Inventories

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

Income taxes

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

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

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

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

Financial instruments

Recognition and derecognition

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

Classification and initial measurement of financial assets

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

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

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

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

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

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

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

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

Impairment of financial assets

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

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

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

ACCOUNTING POLICIES CONTINUED

Impairment of financial assets continued
In applying this forward-looking approach, a distinction is made between:

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

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

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

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

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

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

Classification and measurement of financial liabilities
As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

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

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

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

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

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

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

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

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

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

Grants

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

Pensions

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

Segment reporting

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

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

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

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

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

Exceptional items

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

Operating loss

Operating loss is stated before finance costs, finance income and taxation. Adjusted operating loss is stated after adding back amortisation, impairments and other exceptional costs.

Provisions

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

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

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

Asset held for sale

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

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 2 October 2021

	Cylinders £'000	Precision Machined Components £'000	Central costs £'000	Total £'000
Revenue from external customers	18,877	6,407	—	25,284
Gross profit/(loss)	6,102	696	(83)	6,715
Operating profit/(loss) before amortisation, impairment and other exceptional costs	2,834	(1,647)	(1,932)	(745)
Amortisation and impairment	(916)	(56)	(1,025)	(1,997)
Other exceptional costs	(250)	(501)	(293)	(1,044)
Operating profit/(loss)	1,668	(2,204)	(3,250)	(3,786)
Net finance costs	(82)	(85)	(245)	(412)
Profit/(loss) before tax	1,586	(2,289)	(3,495)	(4,198)
Segmental net assets/(liabilities)*	8,569	9,352	(844)	17,077
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.

For the 53 week period ended 3 October 2020

	Cylinders £'000	Precision Machined Components £'000	Central costs £'000	Total £'000
Revenue	11,218	14,185	—	25,403
Gross profit/(loss)	2,912	2,461	(24)	5,349
Operating loss before amortisation, impairment and other exceptional costs	(58)	(656)	(1,665)	(2,379)
Amortisation and impairment	(88)	(1,788)	(13,960)	(15,836)
Other exceptional costs	(827)	(1,752)	(172)	(2,751)
Operating loss	(973)	(4,196)	(15,797)	(20,966)
Net finance (costs)/income	(31)	(89)	1,097	977
Loss before tax	(1,004)	(4,285)	(14,700)	(19,989)
Segmental net assets/(liabilities)*	7,160	12,079	(5,925)	13,314
Other segment information:				
Capital expenditure – property, plant and equipment	1,287	793	23	2,103
Depreciation	641	880	205	1,726
Amortisation	88	1,788	82	1,958

* 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.

1. Segment analysis continued

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

	2021			2020		
Revenue	**Cylinders £'000**	**Precision Machined Components £'000**	**Total £'000**	Cylinders £'000	Precision Machined Components £'000	Total £'000
United Kingdom	**15,270**	**2,950**	**18,220**	8,509	7,544	16,053
France	**1,164**	**—**	**1,164**	303	228	531
Germany	**616**	**—**	**616**	805	—	805
Italy	**—**	**776**	**776**	—	1,673	1,673
Romania	**—**	**916**	**916**	—	1,709	1,709
Switzerland	**748**	**—**	**748**	—	—	—
Rest of Europe	**172**	**171**	**343**	787	68	855
South Korea	**294**	**—**	**294**	—	—	—
Norway	**23**	**306**	**329**	596	—	596
USA	**—**	**798**	**798**	—	591	591
Rest of the World	**590**	**490**	**1,080**	218	2,372	2,590
	18,877	**6,407**	**25,284**	11,218	14,185	25,403

The Group's largest customer, which is reported within the Cylinders segment, contributed 26% to the Group's revenue (2020: 13%, reported in the Cylinders segment).

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

Revenue	**2021 £'000**	2020 £'000
Oil and gas	**6,076**	14,901
Defence	**11,070**	5,142
Industrial	**5,949**	5,219
Hydrogen energy	**2,189**	141
	25,284	25,403

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:

	2021		2020	
Revenue	**Cylinders £'000**	**Precision Machined Components £'000**	Cylinders £'000	Precision Machined Components £'000
Sale of goods transferred at a point in time	**1,080**	**6,006**	2,201	13,736
Sale of goods transferred over time	**15,594**	**—**	5,222	—
Rendering of services	**2,203**	**401**	3,795	449
	18,877	**6,407**	11,218	14,185

The following aggregated amounts of transaction values relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 2 October 2021:

Revenue expected in future periods	2022 £'000
Sale of goods – Cylinders	4,982

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.

	2021 £'000	2020 £'000
Non-current assets	**14,247**	15,699
Additions to property, plant and equipment	**1,499**	3,434

2. Finance (costs)/income

	2021 £'000	2020 £'000
Interest receivable	**40**	419
Interest payable on bank loans and overdrafts	**(332)**	(455)
Interest payable on lease liabilities	**(120)**	(153)
Profit on sale of associate	**—**	297
Profit on sale of shareholding in GRN Inc.	**—**	1,895
Modification of Promissory Note receivable	**—**	(1,026)
	(412)	977

In June and July 2020, the Group sold its 21% shareholding in Greenlane Renewables, Inc. for cash proceeds, net of related expenses, of £3,145,000 generating a profit on sale of £1,895,000. At the same time, the Group recorded a related modification of £1,026,000 in the carrying value of the Promissory Note which formed part of the consideration on sale of the Alternative Energy division in 2019. In February 2021, the Group received the final proceeds of £3,074,000 in relation to the Promissory Note.

3. Loss before taxation

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

	2021 £'000	2020 £'000
Depreciation of property, plant and equipment – owned assets	**956**	1,376
Depreciation of property, plant and equipment – leased assets	**699**	350
Loss/(profit) on disposal of fixed assets	**78**	(61)
Amortisation of intangible assets	**224**	1,958
Amortisation of grants receivable	**(40)**	(40)
Staff costs – excluding share based payments (see Note 7)	**8,899**	10,995
Cost of inventories recognised as an expense	**12,821**	12,448
Operating lease rentals:		
– Machinery and equipment	**—**	19
Foreign currency loss	**—**	69
Share based payments	**132**	117

4. Amortisation and impairment

	2021 £'000	2020 £'000
Amortisation of intangible assets	**224**	1,958
Goodwill and intangible assets impairment	**—**	13,878
Property impairment	**655**	—
ERP system impairment	**1,118**	—
	1,997	15,836

Within tangible fixed assets (see Note 13), land and buildings include the Meadowhall Road site which, as part of the Group's discussions with its bankers, was valued by an independent chartered surveyor, Lambert Smith Hampton, during the period resulting in an impairment of £655,000. The Directors are satisfied that the carrying value is comparable with market value.

Included in tangible fixed assets within Assets under Construction is £829,000 along with associated costs of £289,000 held in prepayments, relating to the internal and third-party costs incurred in the current and prior years associated with the development of a new ERP system in the CSC division. As also noted in the prior year, the Covid-19 pandemic has resulted in delays in finalising this project such that it has effectively been at standstill for nearly two years. Improvements to the incumbent ERP system in CSC have recently become available which the Group is currently assessing for suitability and cost. Whilst this review is not yet complete, an initial assessment indicates that upgrading the incumbent system to the recently announced software version, rather than completing the development of the new system, may be a more appropriate and cost-effective route to improving the ERP system in CSC. As a result, the Directors have determined that there is an indicator of impairment of the Asset under Construction and the associated prepayment relating to the development of CSC's ERP system. Following an impairment review, the Directors have recorded an impairment charge of £1,118,000 to fully write off this asset. This impairment has been reflected as a non-cash exceptional item.

5. Other exceptional costs

	2021 £'000	2020 £'000
Reorganisation and redundancy	**398**	424
Impairment of inventory and work in progress	**240**	504
Costs in relation to HSE fine	**—**	700
Closure of Precision Machined Components facility (Quadscot)	**166**	690
Other costs (including bank refinancing and legal costs)	**240**	433
	1,044	2,751

The reorganisation and redundancy costs relate to costs of restructuring across the Group. No further reorganisation costs are expected in FY22 unless market conditions deteriorate further as a result of the Covid-19 pandemic. In addition, no further costs are expected in FY22 relating to the closure of the Quadscot facility or impairment of inventory.

6. Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the Company's auditor for the audit of the Company and consolidated financial statements	**51**	43
Fees payable to the Company's auditor and its associates for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	**72**	67
Fees payable to the Company's auditor for non-audit services:		
– Tax compliance services	**27**	20
– Tax advisory services	**7**	34
– Audit related services	**20**	9
– Other non-audit services	**5**	5

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

7. Employee costs

Particulars of employees, including Executive Directors:

	2021 £'000	2020 £'000
Wages and salaries	**7,225**	8,929
Social security costs	**784**	877
Pension costs	**552**	524
Share based payments (see Note 26)	**132**	117
Exceptional costs	**338**	665
	9,031	11,112

Included in Wages and salaries is furlough grant income of £409,000 (2020: £nil).

Exceptional employee costs primarily relate to restructuring activities across the Group primarily in the Precision Machined Components division arising from the continuing depressed oil and gas market which is the key end-market for this division.

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

	2021 No.	2020 No.
Production	**144**	158
Selling and distribution	**16**	16
Administration	**41**	51
	201	225

The total number of employees employed by the Group on 2 October 2021 was 191 (2020: 205).

8. Directors' remuneration

Particulars of Directors' remuneration are as follows:

	2021 £'000	2020 £'000
Emoluments	**487**	548
Pension costs	**19**	51
Employers' national insurance	**58**	71
Share based payments	**28**	13
Exceptional emoluments	**—**	110
	592	793

Please see the Report of the Remuneration Committee on pages 40 to 42 for full details of Directors' emoluments.

No Directors exercised any share options in the period. During the year retirement benefits were accruing to two (2020: two) Directors in respect of defined contributions schemes.

Included in the aggregate emoluments for the period ended 2 October 2021 are payments of £12,500 (2020: £18,750) made to companies controlled by Directors.

The highest paid Director received total emoluments of £247,000 and pension contributions of £10,000 (2020: total emoluments of £296,000 and pension contributions of £22,000).

9. Taxation

	2021 £'000	2020 £'000
Current tax credit		
Over provision in respect of prior years	**(414)**	(118)
Deferred tax credit		
Origination and reversal of temporary differences	**(421)**	(43)
Impairment of intangible assets	**—**	(1,013)
Under provision in respect of prior years	**63**	61
	(358)	(995)
Total taxation credit	**(772)**	(1,113)

Corporation tax is calculated at 19% (2020: 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:

	2021 £'000	2020 £'000
Loss before taxation	**(4,198)**	(19,989)
Theoretical tax credit at UK corporation tax rate 19% (2020: 19%)	**(798)**	(3,798)
Effect of charges/(credits):		
– non-deductible expenses	**(3)**	74
– non-deductible exceptional items	**393**	2,970
– research and development allowance	**—**	(204)
– adjustments in respect of prior years	**(385)**	(57)
– change in taxation rates	**16**	—
– differences in deferred tax rates	**(17)**	31
– losses not previously recognised now utilised	**22**	(129)
Total taxation credit	**(772)**	(1,113)

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 changed from 19% to 25% in the period.

10. Loss per ordinary share

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

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

On 18 December 2020 the Group undertook a fundraising through the issue of 12,471,998 new ordinary shares (see Note 25).

For the 52 week period ended 2 October 2021

	Total £'000
Loss after tax	**(3,426)**

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

Basic loss per share	**(12.0)p**
Diluted loss per share	**(12.0)p**

The Group adjusted loss per share is calculated as follows:	
Loss after tax	**(3,426)**
Amortisation and Impairment (see Note 4)	**1,997**
Other exceptional costs (see Note 5)	**1,044**
Theoretical tax effect of the above adjustments	**(241)**
Adjusted loss	**(626)**
Adjusted loss per share	**(2.2)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.

For the 53 week period ended 3 October 2020

	Total £'000
Loss after tax	(18,876)

	No.
Weighted average number of shares – basic	18,595,165

Basic loss per share	(101.5)p
Diluted loss per share	(101.5)p

The Group adjusted loss per share is calculated as follows:	
Loss after tax	(18,876)
Amortisation and Impairment (see Note 4)	15,836
Other exceptional costs (see Note 5)	2,751
Theoretical tax effect of the above adjustments	(895)
Adjusted loss	(1,184)
Adjusted loss per share	(6.4)p

11. Dividends

No dividends have been declared or proposed in respect of the year ended 2 October 2021 or in respect of the year ended 3 October 2020.

12. Intangible assets

	Intellectual Property £'000	IT systems and Software Licences £'000	Development expenditure £'000	Non-contractual customer relationships £'000	Total £'000
Cost					
At 28 September 2019	2,796	631	175	11,880	15,482
Additions	—	53	—	—	53
At 3 October 2020 and 2 October 2021	**2,796**	**684**	**175**	**11,880**	**15,535**
Amortisation					
At 28 September 2019	528	177	—	8,179	8,884
Charge for the period	188	130	88	1,552	1,958
Impairment	2,080	139	—	2,149	4,368
At 3 October 2020	2,796	446	88	11,880	15,210
Charge for the period	—	137	87	—	224
At 2 October 2021	**2,796**	**583**	**175**	**11,880**	**15,434**
Net book value					
At 2 October 2021	**—**	**101**	**—**	**—**	**101**
At 3 October 2020	—	238	87	—	325
Remaining useful economic life at 2 October 2021		**1 year**			

The Group tests annually for impairment, under IAS 36, or more frequently if there are indicators that intangible or tangible fixed assets might be impaired. The recoverable amounts of the cash-generating units (CGUs) are determined from value in use calculations, using a four-year forecast and applying a discount rate of 11.0% to the Precision Machined Components division (2020: 13.0%).

The forecast has been approved by management and the Board of Directors and is based on a bottom up assessment of costs and uses the known and estimated pipeline of orders to determine revenue. The forecasts used for years two to three assume revenue growth as the oil and gas market recovers, along with a 2.2% long-term rate of growth or inflation incorporated into the perpetuity calculation at the end of year three.

Management's key assumptions are based on their past experience and future expectations of the market over the longer term. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. After applying sensitivity analysis in respect of the results and future cash flows, in particular for presumed growth rates moving by up to 10% and discount rates by two percentage points, management believes that no impairment is required for the Precision Machined Components division. If earnings dropped by 10% and the discount rate increased by 2 percentage points, then an impairment of £808,000 would occur. Management is not aware of any other matters that would necessitate changes to its key estimates.

13. Property, plant and equipment

	Assets under construction £'000	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost				
At 28 September 2019	503	4,726	17,585	22,814
Transition under IFRS 16	—	1,092	114	1,206
Additions – right of use assets	—	—	178	178
Additions	1,016	17	964	1,997
Disposals	—	—	(1,802)	(1,802)
Transfers	(355)	—	355	—
Transferred to asset held for sale	—	(580)	—	(580)
At 3 October 2020	1,164	5,255	17,394	23,813
Additions – right of use assets	—	—	174	174
Additions	740	—	585	1,325
Disposals	—	—	(490)	(490)
Transfers	(964)	—	964	—
At 2 October 2021	**940**	**5,255**	**18,627**	**24,822**
Depreciation				
At 28 September 2019	—	168	8,604	8,772
Charge for the period	—	278	1,448	1,726
Disposals	—	—	(1,595)	(1,595)
At 3 October 2020	—	446	8,457	8,903
Charge for the period	—	26	1,629	1,655
Disposals	—	—	(320)	(320)
Impairment	829	655	—	1,484
At 2 October 2021	**829**	**1,127**	**9,766**	**11,722**
Net book value				
At 2 October 2021	**111**	**4,128**	**8,861**	**13,100**
At 3 October 2020	1,164	4,809	8,937	14,910
Leased assets				
Carrying value at 2 October 2021	**—**	**644**	**4,232**	**4,876**
Carrying value at 3 October 2020	—	913	3,238	4,151

Included within 'Land and buildings' is CSC's main facility at Meadowhall Road, Sheffield. As part of discussions with the Group's bankers during the year, the Directors obtained a valuation from an independent chartered surveyor, Lambert Smith Hampton, of this building which indicated that an impairment of this asset of £655,000 was required.

Included in tangible fixed assets within Assets under Construction is £829,000, relating to the internal and third-party costs incurred in the current and prior years associated with the development of a new ERP system in the CSC division. As also noted in the prior year, the Covid-19 pandemic has resulted in delays in finalising this project such that it has effectively been at standstill for nearly two years. Improvements to the incumbent ERP system in CSC have recently become available which the Group is currently assessing for suitability and cost. Whilst this review is not yet complete, an initial assessment indicates that upgrading the incumbent system to the recently announced software version, rather than completing the development of the new system, may be a more appropriate and cost-effective route to improving the ERP system in CSC. As a result, the Directors have determined that there is an indicator of impairment of the Asset under Construction relating to the development of CSC's ERP system. Following an impairment review, the Directors have recorded an impairment charge of £829,000 to fully write off this asset. This impairment has been reflected as a non-cash exceptional item.

14. Asset held for sale

	2021 £'000	2020 £'000
Property for sale	**195**	580

The Group closed its operations at Quadscot Precision Engineers Limited, part of the Precision Machined Components division, in June 2020 and put the property from which it operated up for sale. During the period, sales of two out of the three separate conjoined units being marketed were achieved and proceeds of £385,000 were received. The remaining property, which was held as an asset held for sale as at 2 October 2021, was sold in December 2021 and proceeds of £200,000 were received.

15. Subsidiaries

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

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

16. Other financial assets

	2021 £'000	2020 £'000
Amounts due within 12 months		
Promissory Note	**—**	3,074
Total due within 12 months	**—**	3,074

As at the beginning of the year, the Group held a Promissory Note which formed part of the consideration on the sale of the Alternative Energy division in 2019. The Promissory Note held was valued at amortised cost. The original term of the note was four years with a repayment date of no later than 3 June 2023 at Greenlane Renewables Inc.'s discretion. In February 2021, the final repayment of £3.1 million with associated interest was received. The note was denominated 50% in GBP and 50% in Canadian dollars. The asset was held solely to collect associated cash flows which related to principal and interest only.

17. Inventories

	2021 £'000	Restated 2020 £'000
Raw materials and consumables	**3,000**	2,749
Work in progress	**1,732**	2,481
Finished goods	**30**	22
	4,762	5,252

Inventories are stated net of provisions of £846,000 (2020: £311,000).

The write off of inventory recognised in the comprehensive income statement in the year was £240,000 (2020: £504,000), which was treated as an exceptional item (see Note 5).

A restatement of Work in progress as at 3 October 2020 has been undertaken to correct an error, which resulted in the incorrect presentation of contract assets and contract liabilities relating to ongoing contracts (see Note 32).

18. Trade and other receivables

	2021 £'000	Restated 2020 £'000
Trade receivables	**4,224**	4,368
Allowance for expected credit losses	**(17)**	(197)
Contract assets	**3,609**	1,182
Other receivables	**313**	463
Prepayments and accrued income	**932**	1,251
	9,061	7,067

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

A restatement of Contract assets and Prepayments and accrued income as at 3 October 2020 has been undertaken to correct an error, which resulted in the incorrect presentation of contract assets and contract liabilities relating to ongoing contracts (see Note 32).

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

	£'000
Credit Losses	
At 28 September 2019	(308)
Provision through the year	(17)
Bad debts recovered	128
At 3 October 2020	(197)
Provision through the year	(9)
Bad debts recovered	189
At 2 October 2021	**(17)**

19. Trade and other payables

	2021 £'000	Restated 2020 £'000
Amounts due within 12 months		
Trade payables	**1,990**	2,911
Contract liabilities	**237**	356
Other tax and social security	**685**	1,758
Accruals and other payables	**1,918**	2,699
Deferred income	**644**	1,935
Total due within 12 months	**5,474**	9,659

	2021 £'000	2020 £'000
Amounts due after 12 months		
Accruals and other payables	**140**	420
Deferred income	**101**	118
Total due after 12 months	**241**	538

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

A restatement of Contract liabilities and Deferred income as at 3 October 2020 has been undertaken to correct an error, which resulted in the incorrect presentation of contract assets and contract liabilities relating to ongoing contracts (see Note 32).

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

20. Borrowings

	2021 £'000	2020 £'000
Current		
Revolving credit facility	**4,773**	—
Non-current		
Revolving credit facility	**—**	6,773
Total borrowings	**4,773**	6,773

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

In December 2020 the Group extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term. In March 2021, the RCF was reduced to £6 million from September 2021, following the sales of the Quadscot properties during the year.

The Group's RCF was drawn at £4.8 million at the year end date. These bank borrowings are secured on the property, plant and equipment of the Group (see Note 13) by way of a debenture. Obligations under finance leases are secured on the plant and machinery assets to which they relate.

The Group's RCF was amended subsequent to the period end on 22 October 2021. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

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:

	2021 £'000	2020 £'000
Due for settlement within one year:		
Revolving credit facility	**4,773**	—
Due for settlement after one year:		
Revolving credit facility	**—**	6,773

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

	2021 £'000	2020 £'000
Expiring within one year	**1,227**	—
Expiring beyond one year	**—**	5,227

Subsequent to year end, as noted above, the RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023.

21. Lease liabilities

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

	2021 £'000	2020 £'000
Current		
Asset finance lease liabilities	**810**	955
Right of use asset lease liabilities	**300**	254
	1,110	1,209
Non-current		
Asset finance lease liabilities	**1,521**	2,003
Right of use asset lease liabilities	**724**	840
	2,245	2,843

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.

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 13). 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 2 October 2021 were as follows:

	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**

	Within one year £'000	Over one to five years £'000	Total £'000
3 October 2020			
Lease payments	1,335	3,012	4,347
Finance costs	(126)	(169)	(295)
Net present value	**1,209**	**2,843**	**4,052**

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. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred and are disclosed in operating lease commitments in Note 30 to these financial statements.

22. Contract balances

	2021 £'000	Restated 2020 £'000
Costs incurred and profit recognised to date	**26,797**	18,659
Less: Progress billings	**(23,425)**	(17,833)
Net balance sheet position for ongoing contracts	**3,372**	826

Representing:

	2021 £'000	Restated 2020 £'000
Contract assets (Note 18)	**3,609**	1,182
Contract liabilities (Note 19)	**(237)**	(356)
Net balance sheet position for ongoing contracts	**3,372**	826

A restatement of Contract balances as at 3 October 2020 has been undertaken to correct an error, which resulted in the incorrect presentation of contract assets and contract liabilities relating to ongoing contracts (see Note 32).

	2021 £'000	2020 £'000
Release of contract liabilities and deferred income		
Contract revenue recognised through release of contract liabilities and deferred income	**1,336**	877

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

23. Financial instruments

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

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

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to one fair value measurement. No transfers in either direction have been made between the levels of fair value hierarchy during the period to 2 October 2021.

The Group held the following categories of financial instruments:

		2021 Total £'000	Restated 2020 Total £'000
Financial assets – amortised cost (unless fair value hierarchy stated)			
– Trade receivables		**4,207**	4,171
– Other receivables		**1,245**	1,714
– Cash and cash equivalents		**3,217**	3,416
– Other Financial Asset – Promissory Note	Level 3	**—**	3,074
		8,669	12,375

23. Financial instruments continued

	2021 Total £'000	Restated 2020 Total £'000
Financial liabilities – amortised cost		
– Trade payables	**1,990**	2,911
– Accruals and other payables	**1,705**	2,907
– Borrowings	**4,773**	6,773
– Lease Liabilities	**3,355**	4,052
	11,823	16,643

The Promissory Note was held at fair value, but all other financial assets and liabilities as at 2 October 2021 and 3 October 2020 were held at amortised cost.

A restatement of Other receivables and Accruals and other payables as at 3 October 2020 has been undertaken to correct an error, which resulted in the incorrect presentation of contract assets and contract liabilities relating to ongoing contracts (see Note 32).

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

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

2020	Current within 6 months £'000	Current 6 to 12 months £'000	Non-current 1 to 5 years £'000	Total net payable £'000
Trade and other payables	5,610	—	420	6,030
Bank borrowings	122	122	7,057	7,301
Amounts due under lease liabilities	667	668	3,012	4,347
	6,399	790	10,489	17,678

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

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

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

	Financial assets		Financial liabilities	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Euro	**242**	1,563	**3**	128
US Dollar	**122**	661	**44**	237
Canadian Dollar	**2**	3	**—**	4
New Zealand Dollar	**1**	3	**—**	—
	367	2,230	**47**	369

23. Financial instruments continued

Foreign currency sensitivity analysis

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

	Euro currency impact		US Dollar currency impact	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Profit or loss	**22**	130	**7**	39

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

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

Interest rate risk management

If interest rates had been 0.5% higher/lower and all other variables were held constant, the impact on the results in the consolidated statement of comprehensive income and equity would be a decrease/increase of £2,000 (2020: £33,000).

Price risk management

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

Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. At 2 October 2021 the largest customer within trade receivables accounted for 26% (2020: 13%) of debtors. Management continually monitors this dependence on the largest customers and are continuing to seek new customers and enter new markets to reduce this dependence. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer. The Group's management estimate the level of allowances required for doubtful debts based on prior experience and their assessment of the current economic environment. The Group's maximum exposure to credit risk is limited to the carrying value of financial assets recognised at the period end. The credit risk on liquid funds is minimised by using counterparty banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. During the prior year, as a result of difficult trading conditions and following discussions with the Bank the financial covenant tests for both June and September 2020 were waived. In December 2020 the Group extended its facility through to 30 November 2022 with a £9 million facility through to 1 July 2021 and then £7 million for the remainder of the term.

The Group's bank facility was amended subsequent to the period end on 22 October 2021. The facility was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

Capital risk management

Pressure Technologies plc's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders through the payment of dividends.

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

	2021 £'000	2020 £'000
Debt – Revolving credit facility	**(4,773)**	(6,773)
Debt – Asset finance leases	**(2,245)**	(2,958)
Debt – Right of use asset leases	**(1,110)**	(1,094)
Cash and cash equivalents	**3,217**	3,416
Net debt	**(4,911)**	(7,409)
Equity	**17,077**	13,314

Debt is defined as long and short-term borrowings, as detailed in Notes 20 and 21. Net debt is debt less cash and cash equivalents, as detailed in Note 29. Equity includes all capital and reserves of the Group attributable to equity holders of the parent. On 18 December 2020, 12,471,998 new ordinary shares were issued as part of a fundraising which raised cash proceeds, net of expenses, of approximately £7.0 million.

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

24. Deferred tax

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

	Accelerated tax depreciation £'000	Intangible assets £'000	Short-term temporary differences £'000	Share option costs £'000	Unused losses £'000	Total £'000
At 28 September 2019	(477)	(1,013)	51	123	33	(1,283)
Prior year adjustment	(65)	—	—	—	4	(61)
Impairment of intangible assets	—	1,013	—	—	—	1,013
Credit/(charge) to income	(147)	—	13	36	141	43
At 3 October 2020	(689)	—	64	159	178	(288)
Prior year adjustment	(132)	—	—	—	69	(63)
Credit/(charge) to income	(162)	—	(3)	84	502	421
At 2 October 2021	**(983)**	**—**	**61**	**243**	**749**	**70**

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

	2021 £'000	2020 £'000
Non-current asset		
Deferred tax asset	**1,138**	464
Non-current liabilities		
Deferred tax liabilities	**(1,068)**	(752)
	70	(288)

The deferred tax asset is expected to be recoverable against future profits generated by the Group. The Group has unused tax losses of £2,970,000.

25. Called up share capital

	2021 No.	2020 No.	**2021 £'000**	2020 £'000
Allotted, issued and fully paid				
Ordinary shares of 5p each	**31,067,163**	18,595,165	**1,553**	930

On 18 December 2020, 12,471,998 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 £7.0 million. Of that total, £6.4 million was allocated to the share premium account. On 26 June 2021, following Court approval, a capital reduction transfer was then made to transfer all of the share premium account of £32.6 million to retained earnings.

26. Share based payments

Save-as-you-earn Scheme

Pressure Technologies plc introduced a share option scheme for all employees of the Group in November 2007. A twelfth grant of options was made in July 2021. The scheme rules were reviewed and updated in 2017 as required by HMRC. If the options remain unexercised after a period of 3 years and 6 months from the date of the grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest and are treated as cancelled if the employee chooses to stop contributing. Members of the scheme are required to remain employees of the Group and make regular contributions.

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

	2021 No.	**Weighted average exercise price**	2020 No.	Weighted average exercise price
Outstanding at the beginning of the period	**808,913**	**75.2p**	460,650	99.9p
Granted during the period	**190,124**	**76.0p**	644,909	66.0p
Forfeited during the period	**(106,912)**	**72.6p**	(55,433)	74.4p
Cancelled during the period	**(80,243)**	**81.4p**	(224,173)	94.1p
Expired during the period	**—**	**—**	(17,040)	150.0p
Outstanding at the end of the period	**811,882**	**75.1p**	808,913	75.2p

26. Share based payments continued

Save-as-you-earn Scheme continued

127,390 of the outstanding options as at 2 October 2021 were exercisable at the end of the period. The options outstanding at 2 October 2021 had a weighted average remaining contractual life of 1.7 years (2020: 2.3 years). The terms of these options are as follows:

Date of grant	Options outstanding at 2 October 2021	Vesting period	Market value at date of grant (p)	Exercise price (p)	Exercise period
26 July 2018	127,390	3 years	122.0	97.6	6 months
15 July 2019	44,449	3 years	119.0	99.2	6 months
24 July 2020	449,919	3 years	96.0	66.0	6 months
30 July 2021	190,124	3 years	93.8	76.0	6 months
Total options outstanding at 2 October 2021	**811,882**				

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

Pressure Technologies plc – Long Term Incentive Plan – Type 1

Pressure Technologies plc introduced this share option scheme in April 2014. These options are exercisable between three and six years following the date of the grant. Options are forfeited if the employee leaves the Group before the options vest, unless certain conditions are met, and are treated as cancelled if the employee chooses to stop contributing.

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

	2021 No.	**Weighted average exercise price**	2020 No.	Weighted average exercise price
Outstanding at the beginning of the period	**—**	**—**	114,752	250.6p
Lapsed during the period	**—**	**—**	(114,752)	250.6p
Outstanding at the end of the period	**—**	**—**	—	—

No options were outstanding during the period and no options are exercisable at the end of the period.

Pressure Technologies plc – Long Term Incentive Plan – Type 2

2018 Long Term Incentive Plan

On 3 September 2018, awards were granted to two Executive Directors and three senior managers. The fair value of these awards at time of grant, as estimated by the Group's external valuation specialists, was £239,000. The amount of the award was based upon performance criteria relating to growth in the share price and dividends over the period to 13 August 2021. Given the performance of the share price and the non-payment of dividends over this period, the awards have now lapsed in full.

Pressure Technologies plc – Long Term Incentive Plan – Type 3

2021 Value Creation Plan

During the course of the year, the Remuneration Committee of the Board determined that it would be appropriate to introduce a new LTIP, the 2021 Value Creation Plan. The Committee worked with its remuneration consultants, PricewaterhouseCoopers, to design the plan and then met with leading shareholders, representing just over half of the then share register, in March 2021 to seek their support. It is anticipated that the first awards under this new plan will be made in January 2022 shortly after the announcement of the Group's results for the 52 weeks to 2 October 2021.

Further details of the proposed new Plan are provided on page 40 in the Report of the Remuneration Committee.

26. Share based payments continued

Valuation models

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

Date granted	30 July 2021
Share price at date of offer	93.8p
Exercise price	76.0p
Expected volatility	46%
Expected life	3 years
Risk free rate	0.1%
Expected dividend yield	0.0%
Fair value	£69,205

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

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

The total charge to the consolidated statement of comprehensive income in the period in respect of share based payments was £132,000 (2020: £117,000). The charge is calculated in accordance with IFRS2, 'Share Based Payments'. A deferred tax credit of £25,000 (2020: credit of £20,000) was recognised in the consolidated statement of comprehensive income during the period in respect of share based payments.

27. Consolidated cash flow statement

	2021 £'000	Restated 2020 £'000
Loss after tax	**(3,426)**	(18,876)
Adjustments for:		
Finance costs – net	**412**	189
Depreciation of property, plant and equipment	**1,655**	1,726
Amortisation of intangible assets	**224**	1,958
Share option costs	**132**	117
Income tax credit	**(772)**	(1,113)
Loss/(profit) on disposal of property, plant and equipment	**78**	(61)
Profit on sale of PT US Inc. associate	**—**	(297)
Profit on disposal of shareholding in Greenlane Renewables Inc.	**—**	(1,895)
Modification of Promissory Note receivable	**—**	1,026
Impairment	**1,484**	13,878
Changes in working capital:		
Decrease/(increase) in inventories	**490**	(137)
(Increase)/decrease in trade and other receivables	**(1,995)**	2,474
(Decrease)/increase in trade and other payables	**(4,448)**	2,718
Cash (outflows)/inflows from operating activities	**(6,166)**	1,707

A restatement of the various components of Changes in working capital in the prior period has been undertaken to correct an error in the Consolidated statement of financial position as at 3 October 2020 and 28 October 2019, which resulted in the incorrect presentation of contract assets and contract liabilities relating to ongoing contracts (see Note 32). The cash inflow from operating activities in the prior period of £1,707,000 has not been impacted by this restatement.

28. Net debt reconciliation

	Borrowings £'000	Leases £'000	Cash and Bank £'000	Total £'000
Cost				
At 28 September 2019	(10,800)	(2,772)	2,208	(11,364)
Cash flows	—	—	1,208	1,208
Repayments	4,250	1,301	—	5,551
New facilities – asset finance leases	(223)	(1,197)	—	(1,420)
New facilities – right of use leases	—	(1,384)	—	(1,384)
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)**

29. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	**3,217**	3,416

30. Financial commitments

(a) Capital commitments

Commitments for capital expenditure entered into at the period end were as follows:

	2021 £'000	2020 £'000
Contracted for, but not provided in the accounts	**—**	245

There are no capital commitments as at 2 October 2021. In the prior period the purchase of a long-lead-time robotic scanner for the Cylinders division was expected for delivery in the first half of this financial year. Final delivery took place during September 2021, following delays due to Covid-19.

(b) Operating lease commitments

The Group had previously entered into commercial leases on certain motor vehicles and items of plant and equipment. At the balance sheet date, the Group had outstanding commitments for minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £'000	2020 £'000
Land and buildings:		
Within one year	**—**	4
In the second to fifth years inclusive	**—**	—
After more than five years	**—**	—
	—	4
Other assets:		
Within one year	**—**	16
In the second to fifth years inclusive	**—**	6
	—	22

The residual operating lease commitments on other assets, which are too immaterial in value to be treated as right of use assets, are shown above. At 2 October 2021, there were no operating lease commitments in place.

(c) Pension commitments

As at 2 October 2021 pension contributions of £23,000 (2020: £100,000) due in respect of the current year had not been paid over to the scheme. These were paid over in the following month and within statutory deadlines.

31. Related party transactions

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

	2021 £'000	2020 £'000
Short-term employee benefits (including Employer's NI)	**545**	619
Post-employment benefits	**19**	51
Share based payments	**28**	13
Exceptional termination benefits	**—**	110
Total remuneration	**592**	793

During the period ended 2 October 2021, Pressure Technologies incurred costs of £12,500 (2020: £18,750) with RAG Associates Limited with whom one of the Non-Executive Directors, Sir Roy Gardner, is a connected person. £nil was outstanding to be paid as at 2 October 2021 (2020: £7,500). The transactions were made on an arm's length basis.

32. Prior period adjustment

A restatement of Consolidated statement of financial position as at 3 October 2020 and 28 September 2019 has been undertaken to correct an error, which resulted in the incorrect presentation of contract assets and contract liabilities relating to ongoing contracts.

As at 3 October 2020, the impact of the restatement was as follows:

	2020 Presented £'000	2020 Adjustment £'000	2020 Restated £'000
Inventories – Work in progress	2,716	(235)	2,481
Trade and other receivables – Prepayments and accrued income	1,613	(362)	1,251
Trade and other receivables – Contract assets	5,296	(4,114)	1,182
Trade and other payables – Deferred income	(6,497)	4,562	(1,935)
Trade and other payables – Contract liabilities	(505)	149	(356)
Total	2,623	—	2,623

As at 28 September 2019, the impact of the restatement was as follows:

	2019 Presented £'000	2019 Adjustment £'000	2019 Restated £'000
Inventories – Work in progress	3,010	(446)	2,564
Trade and other receivables – Prepayments and accrued income	1,002	(48)	954
Trade and other receivables – Contract assets	1,056	97	1,153
Trade and other payables – Deferred income	(2,353)	1,453	(900)
Trade and other payables – Contract liabilities	—	(1,056)	(1,056)
Total	2,715	—	2,715

33. Subsequent events

The Group's Revolving Credit Facility (RCF) was amended subsequent to the year end in October 2021. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 2 October 2021

	Notes	2 October 2021 £'000	3 October 2020 £'000
Fixed assets			
Investments	4	**5,770**	6,451
Intangible fixed assets	6	**81**	162
Tangible fixed assets	7	**3,148**	3,970
		8,999	10,583
Current assets			
Debtors	8	**5,494**	1,053
Other financial assets	5	**—**	3,074
Cash at bank and in hand		**1,436**	375
		6,930	4,502
Creditors: amounts falling due within one year			
Trade and other payables	9	**(585)**	(955)
Borrowings – revolving credit facility	9	**(4,773)**	—
Lease Liabilities	10	**(152)**	(171)
Net current assets		**1,420**	3,376
Creditors: amounts falling due after more than one year			
Borrowings – revolving credit facility	9	**—**	(6,773)
Lease Liabilities	10	**(259)**	(489)
Net assets		**10,160**	6,697
Capital and reserves			
Called up share capital	12	**1,553**	930
Share premium account		**—**	26,172
Profit and loss account		**8,607**	(20,405)
Equity shareholders' funds		**10,160**	6,697

The Company reported a loss for the 52 week period ended 2 October 2021 of £3,599,000 (2020: loss of £27,097,000).

The accounting policies and notes on pages 96 to 104 form part of these financial statements.

Approved by the Board on 17 January 2022 and signed on its behalf by:

James Locking
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
For the 52 week period ended 2 October 2021

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 28 September 2019	930	26,172	6,657	33,759
Share based payments	—	—	35	35
Transactions with owners	—	—	35	35
Loss for the period	—	—	(27,097)	(27,097)
Balance at 3 October 2020	930	26,172	(20,405)	6,697
Share based payments	—	—	38	38
Shares issued	623	6,401	—	7,024
Capital reduction transfer	—	(32,573)	32,573	—
Transactions with owners	623	(26,172)	32,611	7,062
Loss for the period	—	—	(3,599)	(3,599)
Balance at 2 October 2021	**1,553**	**—**	**8,607**	**10,160**

The accounting policies and notes on pages 96 to 104 form part of these financial statements.

1. Accounting policies

Statement of compliance

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

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the financial year dealt within the financial statements of the Company was £3,599,000 (2020: £27,097,000 loss) after applying a tax credit (Note 11) of £49,000 (2020: £32,000 credit) to the loss before tax of £3,648,000 (2020: £27,129,000 loss).

Going concern

The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group Strategic Report. The principal risks and uncertainties are set out on pages 28 to 33. 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.

The Company's Revolving Credit Facility (RCF) was amended subsequent to the year end in October 2021. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

Management have produced forecasts for the period up to March 2023 for all business units, taking account of reasonably plausible changes in trading performance and market conditions, which have been reviewed by the Directors. These reasonably plausible changes include the continued impact of the Covid-19 pandemic and the impact of the currently depressed oil and gas market. The forecasts demonstrate that the Group is forecast to generate profits and cash in the current financial year and beyond and that the Group has sufficient cash reserves and headroom in the financial covenants to enable the Group to meet its obligations as they fall due for a period of at least 14 months from the date when these financial statements have been signed. The Directors believe that, in the event that the assumptions in the forecast are not being realised such that a future potential covenant breach is anticipated, there are a number of mitigating actions that could be taken, including further cost reductions and cash management actions, that could help prevent a potential covenant breach from occurring. After undertaking these assessments and considering the uncertainties set out above, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future and for these reasons they continue to adopt the going concern basis in preparing the financial statements.

Disclosure exemptions adopted

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

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

New Standards adopted in 2021

No new standards were applied during the year.

Investments

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

Intangible assets

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

The following useful lives are applied:

IT systems and Software	3-5 years

1. Accounting policies continued

Tangible assets

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

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

Plant and machinery	3-15 years
Buildings	50 years
Computer equipment	3-15 years

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

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

Leased assets

The Company as a lessee

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

Post-employment benefit plans

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Share based payments

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

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

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

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

Equity, reserves and dividend payments

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

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

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

Income taxes

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

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

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

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

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

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

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

Deferred tax liabilities are not discounted.

Critical accounting judgements

Impairment reviews – freehold land and buildings

The Company holds a number of freehold land and buildings, including CSC's main facility at Meadowhall Road, Sheffield. As part of discussions with the Company's bankers during the year, the Directors obtained a valuation of this building which indicated that an impairment of this asset was required.

2. Employees

Average weekly number of employees, including Executive Directors:

	2021 Number	2020 Number
Administration	**12**	12

Staff costs, including Directors:

	2021 £'000	2020 £'000
Wages and salaries	**1,038**	981
Social security costs	**143**	122
Other pension costs	**97**	105
Share based payments	**38**	35
Exceptional costs	**—**	110
	1,316	1,353

Further details of Directors' remuneration are provided in the Report of the Remuneration Committee and Note 8 to the consolidated financial statements.

3. Operating loss

The auditor's remuneration for audit and other services is disclosed in Note 6 to the consolidated financial statements.

4. Investments in subsidiary companies

	£'000
Cost	
At 3 October 2020 and 2 October 2021	**32,918**
Amortisation and Impairment	
At 28 September 2019	—
Charge for the period – impairment	(26,467)
At 3 October 2020	(26,467)
Charge for the period – impairment	(681)
At 2 October 2021	**(27,148)**
Net book value	
At 2 October 2021	**5,770**
At 3 October 2020	6,451

Investments in subsidiary companies are stated at cost less any applicable provision for impairment.

The Company tests annually for impairment, or more frequently if there are indicators that the carrying value of investment in subsidiary companies might be impaired. The impairment review is described in Note 12 to the consolidated financial statements. This review indicated that an impairment of £0.7 million was required in respect of the Company's investment in the holding company, PT Precision Machined Components Limited, which owns the subsidiary companies that comprise the operations of the Precision Machined Components division. The recoverable amount of the Precision Machined Components division is stated at the value in use.

4. Investments in subsidiary companies continued

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

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

* Indirectly held subsidiaries

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

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

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

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

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

5. Other financial assets

Amounts due within 12 months	**2021 £'000**	2020 £'000
Promissory Note	—	3,074
Total due within 12 months	—	3,074

As at the beginning of the year, the Company held a Promissory Note which formed part of the consideration on the sale of the Alternative Energy division in 2019. The Promissory Note held was valued at amortised cost. The original term of the note was four years with a repayment date of no later than 3 June 2023 at Greenlane Renewables Inc.'s discretion. In February 2021, the final repayment of £3.1 million with associated interest was received. The note was denominated 50% in GBP and 50% in Canadian dollars. The asset was held solely to collect associated cash flows which related to principal and interest only.

6. Intangible fixed assets

	IT systems and Software £'000
Cost	
At 3 October 2020 and 2 October 2021	**411**
Amortisation	
At 3 October 2020	249
Charge for the period	81
At 2 October 2021	**330**
Net book value	
At 2 October 2021	**81**
At 3 October 2020	162

7. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost				
At 3 October 2020	4,081	467	191	4,739
Additions – right of use assets	—	—	84	84
Additions	—	—	133	133
Disposals	(230)	—	—	(230)
At 2 October 2021	**3,851**	**467**	**408**	**4,726**
Depreciation				
At 3 October 2020	190	457	122	769
Charge for the period	15	2	192	209
Disposals	(55)	—	—	(55)
Impairment	655	—	—	655
At 2 October 2021	**805**	**459**	**314**	**1,578**
Net book value				
At 2 October 2021	**3,046**	**8**	**94**	**3,148**
At 3 October 2020	3,891	10	69	3,970
Leased assets				
Carrying value at 2 October 2021	**346**	**—**	**85**	**431**
Carrying value at 3 October 2020	581	—	36	617

Land and buildings include an Investment property relating to the Meadowhall Road, Sheffield site, which is leased to other Group companies. As part of discussions with the Company's bankers during the year, the Directors obtained a valuation from an independent chartered surveyor, Lambert Smith Hampton, of the Meadowhall Road site which indicated that an impairment of £655,000 was required. The Directors are satisfied it is comparable with market value.

8. Debtors

	2021 £'000	2020 £'000
Amounts: falling due within one year		
Prepayments	**224**	504
Other debtors	**137**	455
Amounts owed by Group companies	**4,991**	—
Deferred tax (see Note 13)	**142**	94
	5,494	1,053

9. Creditors

	2021 £'000	2020 £'000
Amounts: falling due within one year		
Trade creditors	**215**	118
Other tax and social security	**50**	149
Accruals	**221**	218
Amounts owed to Group companies	**99**	358
Other payables	**—**	112
	585	955

	2021 £'000	2020 £'000
Amounts: falling due within one year		
Revolving credit facility	**4,773**	—
Amounts: falling due after one year		
Revolving credit facility	**—**	6,773

Details of bank borrowings are set out in Note 20 to the consolidated financial statements. All of the Company's assets are subject to fixed and floating charges as part of the Group's cross-guarantee agreement with Lloyds Bank plc. At 2 October 2021 the amount thus guaranteed by the company was £nil (2020: £nil).

10. Lease liabilities

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

	2021 £'000	2020 £'000
Current		
Asset finance lease liabilities	**1**	29
Right of use asset lease liabilities	**151**	142
	152	171
Non-current		
Asset finance lease liabilities	**—**	2
Right of use asset lease liabilities	**259**	487
	259	489

The Company has leases for a non-operational factory premise, a number of motor vehicles and some IT equipment.

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

The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 7). Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security.

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

10. Lease liabilities continued

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 2 October 2021 were as follows:

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

	Within one year £'000	Over one to five years £'000	Total £'000
3 October 2020			
Lease payments	199	536	735
Finance costs	(28)	(47)	(75)
Net present value	**171**	**489**	**660**

11. Taxation

	2021 £'000	2020 £'000
Deferred tax		
Origination and reversal of temporary differences	**(42)**	(23)
Over provision in respect of prior year	**27**	1
Change in deferred tax rate	**(34)**	(10)
Total taxation credit	**(49)**	(32)

Corporation tax is calculated at 19% (2020: 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.

12. Share capital

Details of the Company's authorised and issued share capital and of movements in the year are given in Note 25 to the consolidated financial statements.

On 18 December 2020, 12,471,998 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 £7.0 million. Of that total, £6.4 million was allocated to the share premium account. On 26 June 2021, following Court approval, a capital reduction transfer was then made to transfer all of the share premium account of £32.6 million to the profit and loss account.

13. Deferred tax

	2021 £'000	2020 £'000
Opening balance for the period	**93**	62
Credit for the period	**49**	32
Closing balance for the period	**142**	94

The deferred tax asset is made up as follows:

	2021 £'000	2020 £'000
Cost of share options	**85**	58
Accelerated capital allowance	**(24)**	11
Unused losses	**79**	22
Other temporary differences	**2**	3
	142	94

14. Related party transactions

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

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

15. Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

16. Subsequent events

The Company's Revolving Credit Facility (RCF) was amended subsequent to the year end in October 2021. The RCF was reduced from £6.0 million to £4.0 million and the facility term was extended from November 2022 to June 2023. New covenants covering minimum liquidity and maximum capital expenditure were agreed for the period to the end of June 2022. Leverage (net debt to adjusted EBITDA) and interest cover covenants, tested quarterly, will commence on the first testing date of 30 September 2022 through to the end of the facility.

COMPANY INFORMATION

Directors	Sir R.A. Gardner – Chairman C.L. Walters – Chief Executive J. Locking – Chief Financial Officer B.M. Newman – Senior Independent Non-Executive Director T.J. Cooper – Independent Non-Executive Director M.G. Butterworth – Independent Non-Executive Director
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