



2024 Half Year Report
for the six months ended 30 June 2024

Flowtech Fluidpower PLC

("Flowtech", the "Group" or "Company")

A world of motion

Everything we do at Flowtech is focused on keeping business moving, whether that's supplying a product or designing and building a complex engineering solution. Our vision is to be the trusted advisor in a world of motion.

"Whilst there are ongoing challenging market conditions, we have delivered further performance improvements, implemented cost control measures and improved overall service levels, which have improved gross margin in the period. However, our market has deteriorated further, and we have, accordingly, significantly reduced our expectations for the full year outturn"

Mike England, Chief Executive Officer

Summary Headlines

- Persistent headwinds in our marketplace have continued to impact top line growth ambitions with revenue reducing 5.7% compared to H1 23.
- Revenue reduction is partially offset by further improvement in gross margin delivering 2% increase in gross profit in H1 24. Upward momentum of 5.1% revenue growth against the second half of last year, underpinned by our Performance Improvement Plan delivering greater service levels and operational efficiencies.
- Gross profit margin up 290bps against H1 23 and 160bps up on FY 2023; results in higher gross profit in H1 24 v H1 23 notwithstanding the reduction in revenue.
- Underlying EBITDA of £4.7m, reduction limited to £0.3m despite £3.4m reduction in revenue compared to H1 23.
- £1.9m decrease in net debt to £13.5m over 12-month period (pre IFRS16 lease liabilities) supported by £4.0m reduction in inventory in H1 24, with significant headroom versus bank facilities.

Post period end

- The recent acquisition of the trade and assets of Thorite increases our market share and delivers a strong platform for growth and improved margins. The first five weeks of ownership has given management confidence in its ability to drive significant value and profitability in the near-term. Before this improvement is realised, we will absorb losses in 2024 although we expect to have repaid our acquisition costs within the next financial year.

Current trading and outlook

- Q3 24 has seen a greater than expected market slowdown across all three geographical segments reducing underlying volumes and extending project timelines. This will impact our full-year revenues and, combined with the short-term impact of Thorite losses, will result in a significant downgrade in earnings expectations for 2024.

Moving forward:

- Positive momentum in building the forward orderbook with over £50m of opportunities within the priority sales pipeline and over £15m of secured business.
- We are confident that the Performance Improvement Plan and Strategy for Growth (including the ecommerce upgrade in Q1 2025) is firmly on track and that we are well set to deliver the mid-term margin goals outlined in our recent annual report.



Financial Highlights

	Half year ended 30 June 2024 Unaudited	Half year ended 30 June 2023 Unaudited	Year ended 31 December 2023 Audited
Revenue	£55.7m	£59.1m	£112.1m
Gross profit	£21.4m	£21.0m	£41.3m
Gross profit %	38.4%	35.5%	36.8%
Underlying EBITDA*	£4.7m	£5.0m	£9.4m
Underlying operating profit**	£2.9m	£3.4m	£6.0m
Operating profit / (loss)	£1.2m	£2.4m	(£10.4m)
Profit / (loss) before tax	£0.3m	£1.6m	(£12.1m)
Earnings per share (basic)	0.41p	2.28p	(21.10p)
Net debt***	£13.5m	£15.4m	£14.7m

* Underlying EBITDA is profit before interest, taxation, depreciation and separately disclosed items.

** Underlying operating profit is operating profit for continuing operations before separately disclosed items (note 3).

*** Net debt is bank debt less cash and cash equivalents. It excludes lease liabilities under IFRS 16.

2024 Half-Year Financial Performance and Divisional Analysis

Revenue by current segment	Six months ended 30 June 2024 £000	Six months ended 31 December 2023 (re-stated**) £000	% Change	Six months ended 30 June 2023 (re-stated**) £000	% Change	Year ended 31 December 2023 (re-stated**) £000
Great Britain	38,316	36,715	4.4%	40,713	-5.9%	77,428
Island of Ireland	11,786	11,507	2.4%	12,577	-6.3%	24,084
Benelux	5,610	4,803	16.8%	5,780	-2.9%	10,583
Total Group revenue	55,712	53,025	5.1%	59,070	-5.7%	112,095
Gross profit %	38.4%	38.3%		35.5%		36.8%

Underlying segment operating profit*	Six months ended 30 June 2024 £000	Return on revenue %	Six months ended 31 December 2023 (re-stated**) £000	Return on revenue %	Six months ended 30 June 2023 (re-stated***) £000	Return on revenue %	Year ended 31 December 2023 (re-stated***) £000	Return on revenue %
Great Britain	4,900	12.8%	3,911	10.7%	4,464	11.0%	8,375	10.8%
Island of Ireland	1,802	15.3%	1,615	14.0%	1,878	14.9%	3,493	14.5%
Benelux	738	13.2%	961	20.0%	881	15.2%	1,842	17.4%
Central costs	(4,561)		(3,922)		(3,799)		(7,721)	
Underlying operating profit*	2,879		2,565		3,424		5,989	

* Underlying operating profit is operating profit for continuing operations before separately disclosed items (note 3).

** H1 23 and FY 23 figures have been re-stated between Great Britain and Island of Ireland to reflect the fact that certain elements of Irish revenues are now being controlled by Irish management.

*** H1 23 and FY 23 figures have been re-stated between Great Britain and Island of Ireland to reflect the associated profit relating to the Irish revenues that are now being controlled by Irish management. Central costs have been re-stated to capture certain items such as insurance and IT spend which were previously recharged to operating segments.



Revenue

Revenue reduced by 5.7% in H1 24 compared to H1 23 with persistent market headwinds leading to reductions across all three geographical segments. The comparison with H2 23 is more positive with a 5.1% increase.

Gross Profit Margin

We are pleased to report that the positive trend started in H2 23 has been sustained into 2024; this has been particularly important in a market which is not currently supporting our top line growth ambitions. As a result of this, and despite the reduction in revenue, our gross profit margin increased to 38.4% (H1 23: 35.5%), delivering a £0.4m uplift in H1 24 v H1 23.

Operating Costs

Underlying operating costs have increased by £0.9m (5.6%), compared to the comparative 2023 period. Approximately two thirds of our cost base relates to people costs. Notwithstanding the average number of full-time equivalent employees reducing by 3.7% compared to H1 23 our overall payroll costs have increased by 2.7%. This reflects in part inflationary cost pressures and equally the investment we have made in certain areas of our business, including our outlay on in-house digital capabilities and the breadth and depth of our management team to build capability and scale to serve the future needs of the business. The majority of the £0.9m increase relates to payroll costs with the balance essentially representing inflationary increases across other cost categories.

Underlying Operating Profit

The £0.4m improvement in gross profit combined with the £0.9m increase in operating costs resulted in a £0.5m reduction in underlying operating profit to £2.9m in the first half (H1 23: £3.4m).

Net Debt

Net debt (pre IFRS16 lease liabilities) was £13.5m at 30 June 2024 (H1 23: £15.4m), with significant headroom of £11.5m under the Group's £25m banking facilities. If leases are taken into account, the reduction in Group debt increases to £3.1m (June 2024: £18.5m: June 2023: £21.6m). A significant factor in achieving this debt reduction was the management of inventory which reduced by £4.0m in H1 24. The cash flow also benefited by £1.4m from the issue of new share capital, primarily relating to the exercise of a £1.2m warrant instrument put in place when the Company was admitted to AIM in May 2014. As previously communicated ongoing net debt reduction remains a key priority for the Board.

Trading Review

Market conditions proved more challenging than anticipated in H1 24 across all geographical segments as further slowdown in many industrial verticals has led to extended project cycles, reduced component basket size and a reduction in project-based expenditure. Trading in Q3 24 has been weaker than anticipated with customers, suppliers and competitors citing further challenges. Nevertheless, it is encouraging to report that our orderbook remains healthy, albeit a number of significant orders will now simply be pushed into 2025 where we anticipate a return to more normalised conditions.

Revenue performance impacted by persistent market slowdown

H1 24 revenue growth is 5.1% up on H2 23 with continued momentum in delivering service improvements and increased sales force productivity. The forward order book is beginning to build with increased quantity and quality of the sales pipeline and order book. The timelines of some larger secured projects have been extended out however, we are confident OEM recovery and distribution volumes will bounce back although we recognise in part, this will be dependent on the timing of market recovery. Revenue decline is principally due to the following which we expect to continue through H2 based on Q3 trading:

Slowdown in overall OEM customer demand and delays to larger project work

Of the customers who have reduced orders (down-traders), 90% of the top ten and 78% of the top fifty down-traders are OEM/project related. Down-trading is largely external market related with our expectation being that more than 75% of these down-traders will increase orders as the market improves. Northern Ireland revenues have been specifically impacted due to a small number of long-standing large OEM customers with the crushing & screening industry output reducing by over 20% over the last two quarters. Specific larger, major turnkey projects Flowtech has won have been delayed or pushed out for delivery into 2025.



Continued depressed market recovery impacting core product distribution revenues

We have maintained a consistent underlying order frequency but with reduced basket size as customers curb general expenditure and burn off held inventories. Larger projects are being delayed which is reducing expected volumes. The market slowdown has increased price competitiveness as customers seek cost reduction. Our strong commercial discipline has protected our gross margin, and, in some cases, we have actively chosen to walk away from lower margin business. The launch of the new catalogue in May was very positively received; whilst there are early signs of an increase in core catalogue product sales this has been more suppressed than expected due to market deterioration and the reduction in larger project related order volume.

Gross profit and cost management focus has partially offset revenue headwinds

There has been continued progress executing all areas of self-help in the Performance Improvement Plan with many improving data points indicating that Flowtech is now in a far stronger position in commercial, operational and service performance capability. Management focus has been on improving commercial excellence in gross margin management and in identifying and executing efficiency and cost reduction initiatives as part of the Plan. These initiatives combined have resulted in a 200bps increase in gross profit helping to offset the 5.7% reduction in H1 24 revenues. Management of our cost base, in particular people related costs, restricted the increase in operating overheads to 5.6% allowing investment to be made in certain key areas.

Performance Improvement Plan continues to drive operational improvements

There has been further progress in the three areas of our improvement plan; 1) to simplify the operating model, 2) become more customer centric and 3) to build scalability.

1. Simplify

Group-wide aligned objectives, KPIs and reward mechanisms have driven improved culture and performance.

The rebranding of fifteen brands to 'One Flowtech' across all UK and Island of Ireland locations was completed in June 2024 including the consolidation of over 50 websites and 20 social media accounts. Benelux rebranding will be completed in Q4 24. The new leadership team is well embedded with over nine months of learned experience working within a simplified, scalable functional operating model. In doing so, we have implemented a 60% change in leadership across the top 60 leaders as part of a Company-wide restructure with over 90% of organisational and restructuring changes implemented. Operational basics are embedded with a step change in service levels and commercial excellence.

2. Customer centric

There has been a sustained improvement in customer experience with a further 50% reduction in customer complaints in H1 24 and increase in customer enquiry responsiveness of 10%. 40,000 new Flowtech catalogues were deployed to over 100 distributor partners in May. Selling effectiveness programmes were delivered and resulted in more than 5% increase in sales force activity productivity and quality of contact frequency resulting in quote conversion improvement of over 10%.

Positive momentum in building the forward orderbook with over £50m opportunity within the priority sales pipeline and over £15m of secured business.

3. Scalable

Product availability has improved and been sustained; we have increased product availability from a low point of 85% to approximately 96%; at the same time, we achieved a £4m reduction in inventory. Improved accuracy and throughput in operations leading to a 50% reduction in service complaints and delivering stable and increased despatched volumes despite a further 25% reduction in operational headcount.

Continued progress in delivering our ESG goals

Health & safety performance has improved with high-risk events reducing by 69% in the past 12 months and a further 33% in the past three months. There has been positive progress in the diversity of leaders with a 40% increase in leadership diversity in the past 12 months. There has also been strong focus on Group-wide skills and capability development with a 176% increase in training hours in the past 12 months with greater emphasis on upskilling commercial and technical application.



Execution of our strategic plan to a world of motion

Customer First: We are on track with our plans to fully re-platform the Flowtech website to a scalable and improved customer experience in readiness for a Q1 25 launch. This being a key growth enabler for the Group.

The Power of One: The Launch of new single Flowtech value proposition to the market in June 2024 as part of rebrand event to over 200 customers, suppliers and partners. This combining the high service product offering with the extensive range of engineering solutions.

A World of Motion: Expanded the brand, product and service offering through the acquisition of the business and certain assets of Thorite.

Thorite is a leading UK provider of pneumatics, compressed air, vacuum and fluid handling products and systems and has traded since 1850. It operates from seven sales and service centres across the UK.

The transaction completed immediately following the appointment of Administrators, Interpath Advisory to Thorite. Under the terms of the Acquisition, Flowtech acquired all the plant and machinery, vehicles, stocks, and intangible assets of Thorite for a total cash consideration of £350,000 which was funded from the Group's existing bank facilities. Flowtech has also repaid Thorite's outstanding debtor finance facility of c.£1.7m in return for an assignment to the Group of a debtor book totalling c.£2.6m; this was also funded from the Group's bank facilities. A sharing arrangement relating to the excess of debtor book recoveries over and above the c.£1.7m paid has been agreed with the Administrator of Thorite.

In the audited accounts for the year ended 31 March 2023, Thorite generated revenue of £21.2m and delivered an operating profit of £79,000. The gross value of asset classes being acquired at the same date was £8.8m, inclusive of £3.8m in respect of the debtor book at that point in time. Thorite has since experienced cash flow challenges and incurred operating losses due to a combination of internal issues and market headwinds. Thorite's operating losses in the year to 31 March 2024 are estimated at £1.2m.

There was a strong strategic rationale for the Acquisition and the potential for significant synergies for the combined businesses including:

- a) operational efficiencies, procurement leverage opportunities and economies of scale, which will lead to material cost savings and improved margins for the Group over the medium term
- b) a well-developed value proposition, Thorite's trading locations and only limited product overlap with Flowtech will provide expansion into new and complementary geographies within the UK, together with new products and services; and,
- c) It is anticipated that the enlarged business will also benefit from strong cross selling prospects across the respective complementary customer bases. The business we inherited was heavily loss making but we are confident that focus on revenue, gross profit margins and addressing the cost base will quickly return the business to profitability.

Outlook

Q3 24 has seen continued difficult conditions and a delay to recovery in the global marketplace with a market recovery likely to be delayed into 2025. In addition to some de-stocking, there have been further delays to some larger OEM and major projects and continued suppression in underlying product volumes. Notwithstanding our strong and growing orderbook and sales discipline and focus on profitable growth, we are not yet seeing the anticipated positive gains we had expected.

We are pleased with the Thorite acquisition and confident that it will pay for itself and deliver accretive revenues and margins into 2025. However, in 2024 there will be a negative operating profit impact term on our results whilst actions are taken to right size the cost base, improve gross margins and make necessary investments to generate improved revenues and operational stability.

Consequently, the impact of the Thorite acquisition and losses, combined with the slower than expected market recovery will result in trading results for the year ending 31 December 2024 being significantly below current market expectations 1.

Despite this backdrop, the Directors remain confident that the Group's Performance Improvement Plan, and the Strategy for Growth is on track to deliver the increased mid-term earnings ambitions as we recently outlined in our recent annual report. Underpinned by improved KPIs, we remain optimistic that we are setting the foundations for the Company to deliver a stronger performance in 2025 and 2026.



By order of the Board
26 September 2024

Consolidated Income Statement

For the six months ended 30 June 2024

	Note	Unaudited Six months ended 30 June 2024 £000	Unaudited Six months ended 30 June 2023 £000	Audited Year ended 31 December 2023 £000
Continuing operations				
Revenue		55,712	59,070	112,095
Cost of sales		(34,301)	(38,089)	(70,832)
Gross profit		21,411	20,981	41,263
Distribution expenses		(2,188)	(2,288)	(4,534)
Administrative expenses before separately disclosed items:		(16,344)	(15,269)	(30,740)
- Separately disclosed items	3	(1,663)	(987)	(16,356)
Total administrative expenses		(18,007)	(16,256)	(47,096)
Operating (loss)/profit		1,216	2,437	(10,367)
Financial expenses		(878)	(813)	(1,735)
Profit/(loss) from continuing operations before tax		338	1,624	(12,102)
Taxation	4	(87)	(220)	(875)
Profit/(loss) from continuing operations		251	1,404	(12,977)
Earnings per share				
Basic earnings per share - continuing operations	5	0.41p	2.28p	(21.10p)
Diluted earnings per share - continuing operations		0.41p	2.28p	(21.10p)

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	Unaudited Six months ending 30 June 2024 £000	Unaudited Six months ending 30 June 2023 £000	Audited Year ended 31 December 2023 £000
Profit / (loss) for the period	251	1,404	(12,977)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
- Exchange differences on translating foreign operations	(158)	(225)	(136)
Total comprehensive income in the period	93	1,179	(13,113)



Consolidated Statement of Financial Position

At 30 June 2024

	Unaudited Six months ended 30 June 2024 £000	Unaudited Six months ended 30 June 2023 £000	Audited Year ended 31 December 2023 £000
Assets			
Non-current assets			
Goodwill	40,066	53,092	40,066
Other intangible assets	2,644	2,979	2,529
Right of use assets	4,307	5,921	4,829
Property, plant and equipment	7,848	7,900	7,822
Total non-current assets	54,865	69,892	55,246
Current assets			
Inventories	27,948	30,843	32,009
Trade and other receivables	24,260	25,257	23,725
Prepayments	1,653	1,130	856
Cash and cash equivalents	6,367	4,446	5,184
Total current assets	60,228	61,676	61,774
Liabilities			
Current liabilities			
Interest-bearing borrowings	-	-	-
Lease liability	1,568	1,453	1,695
Trade and other payables	18,378	20,248	21,558
Tax payable	720	1,123	767
Total current liabilities	20,666	22,824	24,020
Net current assets	39,562	38,852	37,754
Non-current liabilities			
Interest-bearing borrowings	19,883	19,889	19,915
Lease liability	3,436	4,705	3,822
Provisions	361	339	330
Deferred tax liabilities	1,422	1,196	1,534
Total non-current liabilities	25,102	26,129	25,601
Net assets	69,325	82,615	67,399
Equity directly attributable to owners of the parent			
Share capital	31,637	30,746	30,746
Share premium	61,662	60,959	60,959
Other reserves	187	187	187
Shares owned by the Employee Benefit Trust	(124)	(124)	(124)
Merger reserve	293	293	293
Merger relief reserve	3,646	3,646	3,646
Currency translation reserve	(135)	(66)	23
Retained losses	(27,841)	(13,026)	(28,331)
Total equity attributable to the owners of the parent company	69,325	82,615	67,399



Consolidated Statement of Changes in Equity

For the six months ending 30 June 2024

	Share capital £000	Share premium £000	Other reserves £000	Shares owned by EBT £000	Merger reserve £000	Merger relief reserve £000	Currency translation reserve £000	Retained losses £000	Total equity £000
Six months ended 30 June 2024 Unaudited									
Balance at 1 January 2024	30,746	60,959	187	(124)	293	3,646	23	(28,331)	67,399
Profit for the period	-	-	-	-	-	-	-	251	251
Other comprehensive income	-	-	-	-	-	-	(158)	-	(158)
Total comprehensive income for the year	-	-	-	-	-	-	(158)	251	93
Transaction with owners									
Issue of share capital	891	703	-	(200)	-	-	-	-	1,394
Share options settled	-	-	-	200	-	-	-	(71)	129
Share-based payment charge	-	-	-	-	-	-	-	310	310
Balance at 30 June 2024	31,637	61,662	187	(124)	293	3,646	(135)	(27,841)	69,325
Six months ended 30 June 2023 Unaudited									
Balance at 1 January 2023	30,746	60,959	187	(124)	293	3,646	159	(14,527)	81,339
Profit for the period	-	-	-	-	-	-	-	1,404	1,404
Other comprehensive income	-	-	-	-	-	-	(225)	-	(225)
Total comprehensive income for the year	-	-	-	-	-	-	(225)	(1,404)	(1,179)
Transaction with owners									
Share-based payment charge	-	-	-	-	-	-	-	97	97
Share options settled	-	-	-	-	-	-	-	-	-
Balance at 30 June 2023	30,746	60,959	187	(124)	293	3,646	(66)	(13,026)	82,615
Twelve months ended 31 December 2023 Audited									
Balance at 1 January 2023	30,746	60,959	187	(124)	293	3,646	159	(14,527)	81,339
Profit or the year	-	-	-	-	-	-	-	(12,977)	(12,977)
Other comprehensive income	-	-	-	-	-	-	(136)	-	(136)
Total comprehensive income for the year	-	-	-	-	-	-	(136)	(12,977)	(13,113)
Transaction with owners:									
Shares options settled	-	-	-	-	-	-	-	-	-
Share-based payment charge	-	-	-	-	-	-	-	462	462
Dividends paid	-	-	-	-	-	-	-	(1,289)	(1,289)
Transfers between reserves	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	(827)	(827)
Balance at 31 December 2023	30,746	60,959	187	(124)	293	3,646	23	(28,331)	67,399



Consolidated Statement of Cash Flows

For the six months ending 30 June 2024

	Note	Unaudited Six months ended 30 June 2024 £000	Unaudited Six months ended 30 June 2023 £000	Audited Year ended 31 December 2023 £000
Net cash from operating activities	6	2,799	3,607	8,202
Cash flow from investing activities				
Acquisition of property, plant, and equipment		(822)	(1,340)	(2,092)
Acquisition of intangible assets		(633)	-	(121)
Proceeds from sale of property, plant and equipment		20	3	135
Net cash used in investing activities		(1,435)	(1,337)	(2,078)
Cash flows from financing activities				
Net proceeds from issue of share capital		1,393	-	-
Repayment of lease liabilities		(854)	(880)	(1,818)
Interest on lease liabilities		(117)	(116)	(221)
Other interest		(792)	(776)	(1,567)
Proceeds from sale of shares held by EBT		200	-	-
Dividends paid		-	-	(1,289)
Net cash generated from / (used in) financing activities		(170)	(1,772)	(4,895)
Net change in cash and cash equivalents		1,194	498	1,229
Cash and cash equivalents at start of period		5,184	3,972	3,972
Exchange differences on cash and cash equivalents		(11)	(24)	(17)
Cash and cash equivalents at end of period		6,367	4,446	5,184

	Short-term borrowings £000	Long-term borrowings £000	Lease liabilities £000	Total
At 1 January 2024	-	19,915	5,517	25,432
Cash flows				
Repayment	-	-	(854)	(854)
Movement between short-term and long-term	-	-	-	-
Other movements	-	(32)	358	326
Non-cash				
Foreign exchange	-	-	(17)	(17)
At 30 June 2024	-	19,883	5,004	24,887



Notes to the Half-Year Report

For the six months ended 30 June 2024

1. General information

The principal activity of Flowtech Fluidpower plc (the “Company”) and its subsidiaries (together, the “Group”) is the distribution of engineering components and assemblies, concentrating on the fluid power industry. The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Bollin House, Wilmslow, SK9 1DP.

The registered number is 09010518.

As permitted, this Half-year report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 “Interim Financial Reporting”.

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments.

This consolidated Half-year report and the financial information for the six months ended 30 June 2024 does not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. This unaudited Half-year Report was approved by the Board of Directors on 29th August 2024.

The Group’s financial statements for the year ended 31 December 2023 have been filed with the Registrar of Companies. The Group’s auditor’s report on these financial statements was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Electronic communications

The Company does not intend to bulk print and distribute hard copies of this Half-year report, although copies can be requested by contacting: **The Company Secretary, Flowtech Fluidpower plc, Bollin House, Bollin Walk, Wilmslow, SK9 1DP.** Email: info@flowtechfluidpower.com.

The Board believes that by utilising electronic communication it delivers savings to the Company in terms of administration, printing and postage, and environmental benefits through reduced consumption of paper and inks, as well as speeding up the provision of information to shareholders. News updates, regulatory news, and financial statements can be viewed and downloaded from the Group’s website www.flowtechfluidpower.com

2. Accounting Policies

2.1 Basis of preparation

The financial information set out in this consolidated Half-year report has been prepared under International Accounting Standards in conformity with the requirements of the IFRIC interpretations issued by the International Accounting Standards Board (IASB) and the Companies Act 2006 and in accordance with the accounting policies which will be adopted in presenting the Group’s Annual Report and Financial Statements for the year ended 31 December 2024. These are consistent with the accounting policies used in the Financial Statements for the year ended 31st December 2023.

2.2 Going concern

The financial statements are prepared on a going concern basis. The Directors believe this to be the most appropriate basis for the following reasons:

- The Group generated underlying operating profit of £3.4m.
- The Group is financed by revolving credit facilities totalling £20m (extended to February 2026) and £5m overdraft facility, repayable on demand.
- The Group has operated, and is expected to continue to operate, well within its Banking facilities.

The Directors have revisited the forecasts and continue to anticipate a profitable performance in the second half of 2023. Updated cash flow forecasts continue to show the business operating well within the limits of its Banking facilities.



Naturally, these forecasts include a number of key assumptions notably relating, inter alia, to revenue, margins, costs and working capital. In any set of forecasts there are inherent risks relating to each of these assumptions. If future trading performance significantly underperformed expectations, management believe there would be the ability to mitigate the impact of this by careful management of the Group's cost base and working capital and that this would assist in seeking to ensure all bank covenants were complied with and the business continued to operate well within its aggregate £25m banking facility. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

3. Operating Segments

The operations of the business are reviewed based on three geographical segments – Great Britain, Island of Ireland and Benelux (as explained in note 3 Segment Reporting (page 98) of the Annual report 2023). These geographical segments are monitored by the Group's Chief Operating Decision Maker and strategic decisions are made on the basis of adjusted segment operating results. Inter-segment revenue arises on the sale of goods between Group undertakings.

Segment information for the reporting periods is as follows:

For half year ended 30 June 2024	Great Britain £000	Island of Ireland £000	Benelux £000	Inter- segmental transactions £000	Central Costs £000	Total continuing operations £000
Income statement - continuing operations:						
Revenue from external customers	38,316	11,786	5,610	-	-	55,712
Inter-segment revenue	2,078	226	260	(2564)	-	-
Total revenue	40,394	12,012	5,819	(2,564)	-	55,712
Underlying operating result (*)	4,900	1,802	738	-	(4,561)	2,879
Net financing costs	(89)	(16)	(3)	-	(770)	(878)
Underlying segment result	4,811	1,786	735	-	(5,331)	2,001
Separately disclosed items (see below)	(516)	(66)	(49)	-	(1,032)	(1,663)
Profit/(loss) before tax	4,295	1,720	686	-	(6,363)	338
Specific disclosure items						
Depreciation on owned plant, property and equipment	634	48	36	-	-	718
Depreciation on right-of-use assets	550	178	64	-	73	865
Amortisation	462	59	49	-	-	570
Reconciliation of underlying operating result to operating profit:						
Underlying operating result*	4,900	1,802	738	-	(4,561)	2,879
Separately disclosed items (see below)	(516)	(66)	(49)	-	(1,032)	(1,663)
Operating profit/ (loss)	4,384	1,736	689	-	(5,593)	1,216

(*) Underlying operating result is continuing operations' operating profit before separately disclosed items

The Directors believe that the Underlying Operating Profit provides additional useful information on underlying trends to Shareholders. The term 'underlying' is not a defined term under IFRS and may not be comparable with similarly titled profit measurements reported by other companies. A reconciliation of the underlying operating result to operating result from continuing operations is shown below. The principal adjustments made are in respect of the separately disclosed items as detailed later in this note; the Directors consider that these should be reported separately as they do not relate to the performance of the segments.



Half year ended 30 June 2023 (re-stated)	Great Britain £000	Island of Ireland £000	Benelux £000	Inter- segmental transactions £000	Central Costs £000	Total continuing operations £000
Income statement – continuing operations:						
Revenue from external customers	40,713	12,577	5,780	-	-	59,070
Inter segment revenue	1,177	375	541	(2,093)	-	-
Total revenue	41,890	12,952	6,321	(2,093)	-	59,070
Underlying operating result*	4,464	1,878	881	-	(3,799)	3,424
Net financing costs	(86)	(21)	(5)	-	(701)	(813)
Underlying segment result	4,378	1,857	876	-	(4,500)	2,611
Separately disclosed items (see below)	(419)	(66)	(49)	-	(453)	(987)
Profit before tax	3,959	1,791	827	-	(4,953)	1,624
Specific disclosure items						
Depreciation on owned plant, property and equipment	575	38	33	-	-	645
Depreciation on right-of-use assets	511	169	135	-	65	880
Amortisation	437	59	49	-	-	545
Reconciliation of underlying operating result to operating profit:						
Underlying operating result*	4,464	1,878	881	-	(3,799)	3,424
Separately disclosed items (see below)	(419)	(66)	(49)	-	(453)	(987)
Operating profit/ (loss)	4,045	1,812	832	-	(4,252)	2,437

(*) Underlying operating result is continuing operations' operating profit before separately disclosed items

For the year ended 31 December 2023 (re-stated)	Great Britain £000	Island of Ireland £000	Benelux £000	Inter- segmental transactions £000	Central Costs £000	Total continuing operations £000
Income statement – continuing operations:						
Revenue from external customers	77,428	24,084	10,583	-	-	112,095
Inter segment revenue	3,141	585	652	(4,378)	-	-
Total revenue	80,569	24,669	11,235	(4,378)	-	112,095
Underlying operating result*	6,509	3,197	1,585	-	(5,302)	5,989
Net financing costs	(172)	(30)	(8)	-	(1,525)	(1,735)
Underlying segment result	6,337	3,167	1,577	-	(6,827)	4,254
Separately disclosed items (see below)	(13,925)	(588)	(98)	-	(1,745)	(16,356)
Profit before tax	(7,588)	2,579	1,479	-	(8,572)	(12,102)
Specific disclosure items						
Depreciation on owned plant, property and equipment	1,208	83	71	-	1	1,363
Depreciation on right-of-use assets	1,065	344	262	-	139	1,810
Impairment of right of use assets	-	456	-	-	-	456
Impairment of goodwill	13,026	-	-	-	-	13,026
Amortisation	900	118	98	-	-	1,116
Reconciliation of underlying operating result to operating profit:						
Underlying operating result*	6,509	3,197	1,585	-	(5,302)	5,989
Separately disclosed items (see below)	(13,925)	(588)	(98)	-	(1,745)	(16,356)
Operating profit/ (loss)	(7,416)	2,609	1,487	-	(7,047)	(10,367)

(*) Underlying operating result is continuing operations' operating profit before separately disclosed items



Reconciliation of re-stated segment information for the year ended 31 December 2023 to prior year report	Great Britain	Island of Ireland	Benelux	Inter-segmental transactions	Central Costs	Total continuing operations
	£000	£000	£000	£000	£000	£000
Revenue as per prior year report	82,653	22,585	11,235	(4,378)	-	112,095
Revenue from Flowtech Irish customers categorised from the Great Britain Segment	(2,084)	2,084	-	-	-	-
Total re-stated revenue	80,569	24,669	11,235	(4,378)	-	112,095
Underlying operating results in prior year report	(6,725)	1,918	1,487	-	(7,047)	(10,367)
Underlying operating result from Revenue from Flowtech Irish customers categorised from the Great Britain Segment	(691)	691	-	-	-	-
Underlying operating results, re-stated	(7,416)	2,609	1,487	-	(7,047)	(10,367)

Six months ending 30 June 2023 (re-stated)	Six months ended 30 June 2023 £000	Six months ended 30 June 2023 £000	Year ended 31 December 2023 £000
Separately disclosed items			
Separately disclosed items within administrative expenses:			
Acquisition costs	3	8	8
Amortisation of acquired intangibles	453	452	906
Impairment of acquired intangibles	-	-	-
Impairment of goodwill	-	-	13,026
Impairment of right of use asset	-	-	456
Release of lease liability of property closed in FY23	-	-	(412)
Share-based payment costs	310	97	462
Restructuring costs	897	430	1,910
Total	1,663	987	16,356

- Acquisition costs relate to outline research into potential acquisition opportunities which are presented to us
- Share-based payment costs relate to the provision made in accordance with IFRS 2 “Share-based payment” following the issue of share options to employees
- Restructuring costs related to restructuring activities of an operational nature following acquisition of business units and other restructuring activities in established businesses. Costs include restructuring advice, service contract termination costs and employee redundancies



4. Taxation

	Six months ended 30 June 2024 £000	Six months ended 30 June 2023 £000	Year ended 31 December 2023 £000
Current tax on income for the period - continuing operations:			
UK tax	145	61	146
Overseas tax	55	265	292
Adjustments in respect of prior periods / other differences	-	-	184
Deferred tax charge	(113)	(106)	253
Total taxation	87	220	875

The taxation for the period has been calculated by applying the estimated tax rate for the financial year ending 31 December 2024.

5. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period. For diluted loss per share the weighted average number of ordinary shares in issue is not adjusted.

	Six months ended 30 June 2024			Six months ended 30 June 2023			Year ended 31 December 2023		
	Earnings £000	Weighted average number of shares 000's	Earnings per share Pence	Earnings £000	Weighted average number of shares 000's	Earnings per share Pence	Earnings £000	Weighted average number of shares 000's	Earnings per share Pence
Basic earnings per share									
Continuing operations	251	61,763	0.41	1,404	61,493	2.28	(12,977)	61,493	(21.10)
Diluted earnings per share									
Continuing operations	251	61,848	0.41	1,404	61,673	2.28	(12,977)	61,590	(21.07)

	Six months ended 30 June 2024 £000	Six months ended 30 June 2023 £000	Year ended 31 December 2023 £000
Weighted average number of ordinary shares for basic and diluted earnings per share	61,763	61,493	61,493
Impact of share options	85	180	97
Weighted average number of ordinary shares for diluted earnings per share	61,848	61,673	61,590



6. Net cash from operating activities

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
	£000	£000	£000
Reconciliation of profit before taxation to net cash flows from operations:			
Profit / (loss) from continuing operations before tax	338	1,624	(12,102)
Depreciation and impairment on property, plant, and equipment	717	645	1,363
Depreciation on right-of-use assets (IFRS 16)	864	880	1,810
Impairment of right-of-use assets (IFRS16)	-	-	456
Release of lease liability (IFRS16)	-	(387)	(387)
Finance costs	910	890	1,737
(Gain) / Loss on sale of plant and equipment	(2)	2	1
Loan arrangement fee charged to income statement	(32)	(77)	-
Amortisation of intangible assets	569	545	1,116
Impairment of intangible assets	-	-	-
Impairment of goodwill	-	-	13,026
Settled share options	(75)	-	-
Equity settled share-based payment charge	310	97	462
Exchange differences on non-cash balances	(29)	(56)	(15)
Operating cash inflow before changes in working capital and provisions	3,570	4,163	7,467
Change in trade and other receivables	(1,407)	(1,664)	347
Change in stocks	3,964	601	(619)
Change in trade and other payables	(3,112)	804	2,086
Change in provisions	31	24	15
Cash generated from operations	3,046	3,928	9,296
Tax paid / (reclaimed)	(247)	(321)	(1,094)
Net cash generated / (used) from operating activities	2,799	3,607	8,202

7. Principal Risks and Uncertainties

In common with all organisations, Flowtech faces risks which may affect its performance. The Group operates a system of internal control and risk management to provide assurance that we are managing risk whilst achieving our business objectives. No system can fully eliminate risk and therefore the understanding of operational risk is central to management processes. The long-term success of the Group depends on the continual review, assessment, and control of the key business risks it faces. The Directors set out in the 2023 Annual Report and Financial Statements the principal risks identified during this exercise, including quality control, systems and site disruption and employee retention. The Board does not consider that these risks have changed materially in the last six months.

8. Forward Looking Statements

This document contains certain forward-looking statements which reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future thereby involving a degree of uncertainty. Although the Group believes that the expectations reflected in these statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Given that these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether because of new information, future events or otherwise.



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