

Flowtech Fluidpower plc

HALF YEAR REPORT

Six months ended 30 June 2023



FLOWTECH FLUIDPOWER PLC

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

"a world of motion"

Our aim is to provide our customers with power, motion & control solutions, from a single component to integrated engineering systems, in the most cost-effective way, harnessing the best global brands & products, services and engineers in the market.

2023 HALF-YEAR REPORT

For the six months ended 30 June 2023

"Despite increasingly challenging economic conditions, overall Group revenue increased by 2.8% in the period with a more positive performance in our solutions and services segments and a weaker performance in the product distribution segment, as previously reported. We have continued to make positive progress on working capital management, continuing to improve our debt position whilst maintaining tight cost controls.

We expect these market headwinds to continue through H2 23 and into 2024 but I am pleased to report good progress is being made in deploying an immediate performance improvement plan and the refreshed strategy, strengthening the leadership team and simplifying the operating model building the capabilities to deliver mid-term scalable growth in a highly fragmented market."

Mike England, Chief Executive Officer**TRADING AND OPERATIONAL HIGHLIGHTS**

- Revenue increased by 2.8% with varying performance across segments
- Sustained strong gross margin of 35.5% (H1 22 36.3%)
- Inflationary pressures partially offset by cost savings initiatives
- Underlying operating profit of £3.4m, a decrease of £0.9m on the comparative period
- £4.3m decrease in net debt (pre-leases)

FINANCIAL HIGHLIGHTS	Half year ended	Half year ended	Year ended
	30 June 2023	30 June 2022	31 December 2022
	Unaudited	Unaudited	Audited
• Revenue	£59.1m	£57.5m	£114.8m
• Gross profit %	35.5%	36.3%	35.7%
• Underlying EBITDA*	£5.0m	£5.8m	£11.6m
• Underlying operating profit**	£3.4m	£4.3m	£8.6m
• Operating profit / (loss)	£2.4m	£3.6m	(£4.4m)
• Profit / (loss) before tax	£1.6m	£3.1m	(£5.6m)
• Earnings per share (basic)	2.28p	4.24p	(10.17p)
• Net debt***	£15.4m	£19.7m	£16.0m

* 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.

RESULTS PRESENTATION:

CEO Mike England and CFO Russell Cash will provide a 'live' presentation via **the Investor Meet Company** platform (IMC) at **10.00am** (BST) today (30 August 2023):

<https://www.investormeetcompany.com/flowtech-fluidpower-plc/register-investor>

Website: www.investormeetcompany.com

FLOWTECH FLUIDPOWER PLC 2023 HALF-YEAR REPORT

For the six months ended 30 June 2023

2023 HALF-YEAR FINANCIAL PERFORMANCE AND DIVISIONAL ANALYSIS

Revenue by current segment	Six months ended 30 June 2023	Six months ended 30 June 2022 (re-stated**)	% Change	Year ended 31 December 2022 (re-stated**)
	£000	£000		£000
Flowtech (Product Distribution)	26,606	28,192	-5.6%	53,273
Fluidpower Group Solutions	22,019	19,749	11.5%	40,368
Fluidpower Group Services	10,445	9,516	9.8%	21,125
Total Group revenue	59,070	57,457	2.8%	114,766
Gross profit %	35.5%	36.3%		35.7%

Underlying segment operating profit*	Six months ended 30 June 2023	Return on revenue	Six months ended 30 June 2022 (re-stated)	Return on revenue	Year ended 31 December 2022 (re-stated)	Return on revenue
	£000	%	£000	%	£000	%
Flowtech (Product Distribution)	2,275	8.6%	3,617	12.8%	6,206	11.7%
Fluidpower Group Solutions	2,462	11.2%	2,707	13.7%	5,086	12.6%
Fluidpower Group Services	1,202	11.5%	234	2.5%	1,804	8.5%
Central costs	(2,515)		(2,245)		(4,510)	
Underlying operating profit*	3,424		4,313		8,586	

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

** H1 22 and FY 22 figures have been re-stated to reflect the movement of certain revenue streams between segments, however there is no impact on Group profitability.

REVENUE

Revenue increased by 2.8% in H1 23 compared to H1 22. The growth achieved in both the Solutions (11.5%) and Services (9.8%) segments was pleasing; this served to mitigate the impact of a disappointing performance within the Product Distribution segment where revenue declined by 5.6%. The second quarter of the year provided more challenging trading conditions across each segment than the first quarter.

GROSS PROFIT MARGIN

Our gross profit margin remains strong at 35.5% (H1 22 36.3%); the modest movement relates primarily to the change in sales mix due to divisional margins being lower in the Solutions and Service segment as compared to the Product Distribution segment.

OPERATING COSTS

Underlying operating costs have increased by £1.0m (6.2%), compared to the comparative 2022 period. Approximately two thirds of our cost base relate to people costs; our average number of employees in H1 23 decreased by 5.8% compared to H1 22 but this was offset by inflation on wages and other costs alongside the impact of investment in senior personnel (building future capability and scale).

UNDERLYING OPERATING PROFIT

Underlying operating profit of £3.4m is a decrease of £0.9m from the comparative period (H1 22: £4.3m).

The performance of the Product Distribution segment was disappointing, as explained under the "Trading Review" section below. We are pleased with the performance in the Solutions and Services divisions which both continued to show strong growth at attractive margins.

NET DEBT

Net debt (pre-lease debt) was £15.4m at 30 June 2023 (H1 22: £19.7m), with headroom of £9.6m under the Group's banking facilities. Key to achieving this reduction was a £3.9m reduction in inventory levels. We expect this trend to continue as we benefit from a less volatile supply chain environment. If leases are taken into account, the reduction in Group debt was £5.1m.

TRADING REVIEW

We have highly skilled and capable people, passionate about providing the highest levels of technical and engineering expertise and customer service. In a technical industrial market, this is a source of competitive advantage. Positive progress has been made in H1 23 building our people capabilities including increased investment in training, learning and development, investment in health, safety and wellbeing and supporting them through these more challenging economic times. We thank our people for their continued commitment and dedication.

In our Product Distribution segment (which accounts for 45% of Group revenue), the performance has been disappointing for over 12 months continuing through H1 23 with revenue decline of 5.6%. This is in part due to the more volatile economic and industrial landscape but also due to internal challenges resulting from the consolidation of five businesses into one during 2021/2022 including the closure of the Leicester Distribution Centre, consolidating inventory into the main Skelmersdale Distribution Centre. Whilst this consolidation has enabled improved scale and efficiency, aspects of this integration have impacted some parts of the customer experience. Interventions are in flight to address this to ensure we have quickly returned to the levels of high service expected by our customers including further improvements to our website, catalogue, commercial discipline and our service.

In our Solutions and Services segments, we are pleased with the performance with H1 23 revenue growth of 11%. We have improved the focus in offering a wide range of engineering services, further building our reputation for delivering technical products, designing, manufacturing and supporting our distributors, industrial end users and original equipment manufacturers across our geographies.

Our international businesses in the Island of Ireland and Benelux which contribute c.28% of Group revenue have continued to perform well. Ireland in particular, where we have consolidated our two businesses into one has seen revenue growth in H1 23 of 19%. Our two businesses in Benelux have made a positive contribution of 16% return on revenues and we see further opportunity here to drive greater synergy and to further increase market share gains.

Group Gross Margin performance was stable, and management has remained focused ensuring we stay ahead of supplier price rises and service labour costs during a continued inflationary market. There is though gross profit impact resulting from the revenue mix between the higher gross margin Product Distribution segment and the Solutions and Services segment. We see further opportunity for gross margin enhancement across the Group by improving our commercial effectiveness, pricing discipline and building greater procurement capability.

Our cost management remains disciplined and whilst we have taken all necessary action to react to inflationary market pressures, we continue to support our highly skilled and talented workforce and build enhanced capabilities as we look to underpin our mid-term strategy to deliver scalable and sustainable growth and value creation. However, we see significant further opportunity for delivering efficiencies across the Group as we scale through the deployment of our refreshed strategy, further simplifying the operating model, underpinned by investment in improved automation, technology and processes.

We have continued to focus on cash and optimising our working capital which resulted in the £5.1m reported reduction in net debt. As we look forward, our focus will remain on achieving further working capital optimisation and improved cash efficiencies across the Group whilst seeking to improve overall stock availability and service by adopting a more rigorous approach to inventory and supplier management.

STRATEGY

We are pleased to report good progress in implementing an immediate **Performance Improvement Plan** and the **refreshed strategy** (our journey to the future), across the Group.

i) Performance Improvement Plan

The Performance Improvement Plan focusses on near-term performance improvement to quickly deliver a more customer centric, lean and scalable platform for growth. It consists of three key components;

- a) **Simple** – we are implementing a simple operating model releasing the full potential of our people and our capabilities,
- b) **Customer centric** – moving decision making and activities to be more centred around the customer with a renewed growth focus across all channels, and
- c) **Scalable** - Re-focusing on doing the basics brilliantly whilst improving our operational and technology infrastructure to power future growth.

ii) Refreshed strategy

Our refreshed strategy (Our journey to the future) sets out our ambition and has two key components;

- a) **A world of motion** - We will expand on our product and engineering capabilities across the wider power, motion and control sector. In doing so, we increase our market share opportunity in Europe from c£10bn to c£30bn. We will target two times market growth rate. This also serves to future proof the Group with a focus on new emerging technologies.
- b) **The power of one** - we will release the full potential, scalability and efficiency of the Group by transitioning to a single brand and operating model. We will launch a simplified value proposition for our target customers.

As part of the strategy, we are focused on delivering a measurable value creation plan consisting of defined strategic focus areas to deliver mid-teens underlying operating profit margin.

The Performance Improvement Plan and refreshed strategy is enabled by the formation of a new, diverse and highly skilled leadership team organised into a functional, country led structure where we are building greater core competence and capabilities. Five of the previous leadership team have exited the business and the new team, consisting of a strong mix of existing and new talent, has now been appointed; a number of the new members of the team are already operating within the business with the final three leaders onboarding in October. The accountability of this team will be to deliver the defined areas of strategic focus, known internally as growth engines.

The immediate priority is on short-term 'self-help' interventions to deliver improved performance throughout H2 23 and into 2024 focused on improvements in a) our growth capabilities (including our marketing, digital and sales capabilities), b) our core service and delivery capabilities (doing the basics brilliantly) and c) simplifying how we work (to deliver greater speed, agility and efficiencies).

OUTLOOK

We expect external economic headwinds to continue to bite through H2 23 and into 2024 with continued slowdown in industrial output and production. We have deployed a number of focused interventions to address weaker performing areas underpinned by a change in leadership and capability and providing greater clarity on our forward strategy and plans. Our people are motivated and committed to delivering high performance and whilst we expect H2 23 to remain challenging, we are optimistic in our outlook in building our momentum and capabilities into 2024 and beyond through the deployment of our refreshed strategy.

By order of the Board

29 August 2023

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

	Notes	Unaudited Six months ended 30 June 2023 £000	Unaudited Six months ended 30-June 2022 £000	Audited Year ended 31-December 2022 £000
Continuing operations				
Revenue		59,070	57,457	114,766
Cost of sales		(38,089)	(36,611)	(73,792)
Gross profit		20,981	20,846	40,974
Distribution expenses		(2,288)	(2,159)	(4,428)
Administrative expenses before separately disclosed items:		(15,269)	(14,374)	(27,960)
- separately disclosed items	3	(987)	(690)	(12,966)
Total administrative expenses		(16,256)	(15,064)	(40,926)
Operating profit / (loss)		2,437	3,623	(4,380)
Financial expenses		(813)	(474)	(1,192)
Profit / (loss) from continuing operations before tax		1,624	3,149	(5,572)
Taxation	4	(220)	(542)	(680)
Profit / (loss) from continuing operations		1,404	2,607	(6,252)
Earnings per share	5			
Basic earnings per share - continuing operations		2.28p	4.24p	(10.17p)
Diluted earnings per share - continuing operations		2.28p	4.19p	(10.17p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited Six months ended 30 June 2023 £000	Unaudited Six months ended 30-June 2022 £000	Audited Year ended 31-December 2022 £000
Profit for the period	1,404	2,607	(6,252)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
-Exchange differences on translating foreign operations	(225)	153	318
Total comprehensive income in the period	1,179	2,760	(5,934)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Unaudited 30 June 2023 £000	Unaudited 30 June 2022 £000	Audited 31 December 2022 £000
Assets			
Non-current assets			
Goodwill	53,092	63,164	53,092
Other intangible assets	2,979	4,107	3,523
Right of use assets	5,921	6,805	6,091
Property, plant, and equipment	7,900	6,904	7,234
Total non-current assets	69,892	80,980	69,940
Current assets			
Inventories	30,843	34,731	31,486
Trade and other receivables	25,257	24,293	24,620
Prepayments	1,130	1,129	387
Cash and cash equivalents	4,446	273	3,972
Total current assets	61,676	60,426	60,465
Liabilities			
Current liabilities			
Interest bearing borrowings	-	-	19,967
Lease liability	1,453	1,868	1,705
Trade and other payables	20,248	20,539	19,569
Tax Payable	1,123	1,154	1,219
Total current liabilities	22,824	23,561	42,460
Net current assets	38,852	36,865	18,005
Non-current liabilities			
Interest-bearing borrowings	19,889	19,947	-
Lease liability	4,705	5,178	5,008
Provisions	339	302	317
Deferred tax liabilities	1,196	1,437	1,281
Total non-current liabilities	26,129	26,864	6,606
Net assets	82,615	90,981	81,339
Equity directly attributable to owners of the parent			
Share capital	30,746	30,746	30,746
Share premium	60,959	60,959	60,959
Other reserves	187	187	187
Shares owned by the Employee Benefit Trust (EBT)	(124)	(141)	(124)
Merger reserve	293	293	293
Merger relief reserve	3,646	3,646	3,646
Currency translation reserve	(66)	66	159
Retained losses	(13,026)	(4,775)	(14,527)
Total equity attributable to the owners of the parent company	82,615	90,981	81,339

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital	Share premium	Other reserves	Shares owned by EBT	Merger reserve	Merger relief reserve	Currency translation reserve	Retained losses	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000

Six months ended 30 June 2023 <i>Unaudited</i>									
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 options settled									
Share-based payment charge								97	97
Balance at 30 June 2023	30,746	60,959	187	(124)	293	3,646	(66)	(13,026)	82,615

Six months ended 30 June 2022 <i>unaudited</i>									
Balance at 1 January 2022	30,746	60,959	187	(276)	293	3,646	(286)	(7,267)	88,002
Profit for the period								2,607	2,607
Other comprehensive income	-	-	-	-	-	-	352	(199)	153
Total comprehensive income for the year	-	-	-	-	-	-	352	2,408	2,760
Transaction with owners									
Share-based payment charge				135				(19)	116
Share options settled	-	-	-	-	-	-	-	103	103
Balance at 30 June 2022	30,746	60,959	187	(141)	293	3,646	66	(4,775)	90,981

Twelve months ended 31 December 2022 <i>audited</i>									
Balance at 1 January 2022	30,746	60,959	187	(276)	293	3,646	(286)	(7,267)	88,002
Profit or the year	-	-	-	-	-	-	-	(6,252)	(6,252)
Other comprehensive income	-	-	-	-	-	-	318	-	318
Total comprehensive income for the year	-	-	-	-	-	-	318	(6,252)	(5,934)
Transaction with owners:									
Shares options settled	-	-	-	152	-	-	-	(25)	127
Share-based payment charge	-	-	-	-	-	-	-	372	372
Dividends paid	-	-	-	-	-	-	-	(1,228)	(1,228)
Transfers between reserves	-	-	-	-	-	-	127	(127)	-
Total transactions with owners	-	-	-	152	-	-	127	(1,008)	(729)
Balance at 31 December 2022	30,746	60,959	187	(124)	293	3,646	159	(14,527)	81,339

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	<i>Note</i>	Unaudited Six months ended 30-June 2023 £000	Unaudited Six months ended 30-June 2022 £000	Audited Year ended 31-December 2022 £000
Net cash from operating activities	6	3,607	(2,505)	5,014
Cash flow from investing activities				
Acquisition of property, plant, and equipment		(1,340)	(683)	(1,645)
Acquisition of intangible assets		-	(62)	(212)
Proceeds from sale of property, plant, and equipment		3	34	65
Net cash used in investing activities		(1,337)	(711)	(1,792)
Cash flows from financing activities				
Repayment of lease liabilities		(880)	(830)	(1,673)
Interest on lease liabilities		(116)	(118)	(227)
Other interest		(776)	(336)	(925)
Proceeds from sale of shares held by EBT		-	155	172
Dividends paid		-	-	(1,228)
Net cash generated from / (used in) financing activities		(1,772)	(1,129)	(3,881)
Net change in cash and cash equivalents		498	(4,345)	(659)
Cash and cash equivalents at start of period		3,972	4,562	4,562
Exchange differences on cash and cash equivalents		(24)	56	69
Cash and cash equivalents at end of period		4,446	273	3,972

	Short-term borrowings £000	Long-term borrowings £000	Lease liabilities £000	Total £000
At 1 January 2023	19,967	-	6,713	26,680
Cash flows				
Repayment	-	-	(880)	(880)
Movement between short-term and long-term	(19,967)	19,967	-	-
Other movements	-	(78)	358	280
Non-cash				
Foreign exchange	-	-	(33)	(33)
At 30 June 2023	-	19,889	6,158	26,047

NOTES TO THE HALF-YEAR REPORT

For the six months ended 30 June 2023

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 2023 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 29 August 2023.

The Group's financial statements for the year ended 31 December 2022 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 <https://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 2023. These are consistent with the accounting policies used in the Financial Statements for the year ended 31 December 2022.

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 totaling £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 segments – Flowtech, Fluidpower Group Solutions and Fluidpower Group Services (as explained in note 2.18 of the Annual report 2022). These operating 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.

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.

Segment information for the reporting periods is as follows:

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

Half year ended 30 June 2023	Flowtech	Fluidpower Group Solutions	Fluidpower Group Services	Inter-segmental transactions	Central Costs	Total continuing operations
	£000	£000	£000	£000	£000	£000
Income statement – continuing operations:						
Revenue from external customers	26,606	22,019	10,445	-	-	59,070
Inter segment revenue	1,177	541	375	(2,093)	-	-
Total revenue	27,783	22,560	10,820	(2,093)		59,070
Underlying operating result*	2,275	2,462	1,202	-	(2,515)	3,424
Net financing costs	(34)	(75)	(3)	-	(701)	(813)
Underlying segment result	2,241	2,387	1,199	-	(3,216)	2,611
Separately disclosed items (see below)	(205)	(307)	(66)	-	(409)	(987)
Profit before tax	2,036	2,080	1,133	-	(3,625)	1,624
Specific disclosure items						
Depreciation on owned plant ,property and equipment	477	83	85	-	-	645
Depreciation on right-of-use assets	386	394	35	-	65	880
Amortisation	200	288	57	-	-	545
Reconciliation of underlying operating result to operating profit:						
Underlying operating result*	2,275	2,462	1,202	-	(2,515)	3,424
Separately disclosed items (see below)	(205)	(307)	(66)	-	(409)	(987)
Operating profit/ (loss)	2,070	2,155	1,136	-	(2,924)	2,437

Segment information for the half year ended June 2022 has been re-stated following the movement of Primary Components, excluding OEM customers, from Fluidpower Group Solutions to Flowtech, as this reflects the information reported to the Chief Operating Decision Maker. Segment information for the year ended December 2022 has also been restated to include sales from OEM customers within the Solutions segment. Some overheads costs relating to Divisional management have been re-categorised as segment operating overheads to present a more comparable segment result. The re-statement of the prior year periods does not impact Group profitability.

Half year ended 30 June 2022 (re-stated)	Flowtech	Fluidpower Group Solutions	Fluidpower Group Services	Inter- segmental transactions	Central costs	Total continuing operations
	£000	£000	£000	£000	£000	£000
Income statement – continuing operations:						
Revenue from external customers	28,192	19,749	9,516	-	-	57,457
Inter segment revenue	863	652	409	(1,924)	-	-
Total revenue	29,055	20,401	9,925	(1,924)	-	57,457
Underlying operating result*	3,617	2,707	234	-	(2,245)	4,313
Net financing costs	(72)	(31)	(8)	-	(363)	(474)
Underlying segment result	3,545	2,676	226	-	(2,608)	3,839
Separately disclosed items (see below)	(108)	(335)	(57)	-	(190)	(690)
Profit before tax	3,437	2,340	169	-	(2,798)	3,149
Specific disclosure items						
Depreciation on owned plant ,property and equipment	509	77	85	-	-	671
Depreciation on right-of-use assets	355	322	72	-	99	848
Amortisation	108	307	57	-	-	472
Reconciliation of underlying operating result to operating profit:						
Underlying operating result*	3,617	2,707	234	-	(2,245)	4,313
Separately disclosed items (see below)	(108)	(335)	(57)	-	(190)	(690)
Operating profit/ (loss)	3,509	2,372	177	-	(2,435)	3,623

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

Reconciliation of re-stated segment information for the half year ended 30 June 2022 to prior year report	Flowtech	Fluidpower Group Solutions	Fluidpower Group Services	Inter- segmental transactions	Central costs	Total continuing operations
	£000	£000	£000	£000	£000	£000
Revenue as per prior year report	27,614	21,842	9,925	(1,924)	-	57,457
Revenue from Primary components non-OEM customers categorised to Flowtech Segment	1,441	(1,441)	-	-	-	-
Total re-stated revenue	29,055	20,401	9,925	(1,924)	-	57,457
Underlying operating results in prior year report	3,725	2,952	328	-	(2,692)	4,313
Underlying operating result for Primary Components categorised to Flowtech Segment	10	(10)	-	-	-	-
Re-allocation of costs between segments	(118)	(235)	(94)	-	447	-
Underlying operating results, re-stated	3,617	2,707	234	-	(2,245)	4,313

For the year ended 31 December 2022 (re-stated)	Flowtech	Fluidpower Group Solutions	Fluidpower Group Services	Inter- segmental transactions	Central costs	Total continuing operations
	£000	£000	£000	£000	£000	£000
Income statement – continuing operations:						
Revenue from external customers	53,273	40,368	21,125	-	-	114,766
Inter segment revenue	1,706	1,008	868	(3,582)	-	-
Total revenue	54,979	41,376	21,993	(3,582)		114,766
Underlying operating result*	6,206	5,086	1,804	-	(4,510)	8,586
Net financing costs	(141)	(68)	(5)	-	(978)	(1,192)
Underlying segment result	6,065	5,018	1,799	-	(5,488)	7,394
Separately disclosed items (see below)	(8,240)	(785)	(3,329)	-	(612)	(12,966)
Profit / (loss) before tax	(2,175)	4,233	(1,530)	-	(6,100)	(5,572)
Specific disclosure items						
Depreciation and impairment on owned plant, property and equipment	867	157	179	-	2	1,205
Depreciation on right-of-use assets	707	695	73	-	195	1,670
Impairment of goodwill	7,105	-	2,967	-	-	10,072
Impairment of acquired intangibles	-	-	168	-	-	168
Amortisation	230	683	124	-	-	1,037
Reconciliation of underlying operating result to operating profit:						
Underlying operating result*	6,206	5,086	1,804	-	(4,510)	8,586
Separately disclosed items (see below)	(8,240)	(785)	(3,329)	-	(612)	(12,966)
Operating profit/ (loss)	(2,034)	4,301	(1,525)	-	(5,122)	(4,380)

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

Reconciliation of re-stated segment information for the year ended 31 December 2022 to prior year report	Flowtech	Fluidpower Group Solutions	Fluidpower Group Services	Inter- segmental transactions	Central costs	Total continuing operations
	£000	£000	£000	£000	£000	£000
Revenue as per prior year report	57,271	39,084	21,993	(3,582)	-	114,766
Revenue from former Primary components OEM customers categorised from the Flowtech Segment	(2,292)	2,292	-	-	-	-
Total re-stated revenue	54,979	41,376	21,993	(3,582)	-	114,766
Underlying operating results in prior year report	6,887	4,405	1,804	-	(4,510)	8,586
Underlying operating result from Primary Components OEM customers categorised from the Flowtech Segment	(681)	681	-	-	-	-
Underlying operating results, re-stated	6,206	5,086	1,804	-	(4,510)	8,586

SEPARATELY DISCLOSED ITEMS

	Six months ended 30 June 2023 £000	Six months ended 30 June 2022 £000	Year ended 31 December 2022 £000
Separately disclosed items within administrative expenses:			
Acquisition costs	8	3	10
Amortisation of acquired intangibles	452	472	943
Impairment of acquired intangibles	-	-	168
Impairment of goodwill	-	-	10,072
Share-based payment costs	97	103	372
Restructuring costs	430	112	1,401
Total	987	690	12,966

- 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 2023 £000	Six months ended 30 June 2023 £000	Year ended 31 December 2022 £000
Current tax on income for the period - continuing operations:			
UK tax	61	511	734
Overseas tax	265	211	185
Adjustments in respect of prior periods/ other differences	-	(89)	9
Deferred tax charge	(106)	(91)	(248)
Total taxation	220	542	680

The taxation for the period has been calculated by applying the estimated tax rate for the financial year ending 31 December 2023.

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 2023			Six months ended 30 June 2022			Year ended 31 December 2022		
	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	1,404	61,493	2.28	2,607	61,493	4.24	(6,252)	61,493	(10.17)
Diluted earnings per share									
Continuing operations	1,404	61,673	2.28	2,607	62,236	4.19	(6,252)	61,770	(10.17)

	Six months ended 30 June 2023 £000	Six months ended 30 June 2022 £000	Year ended 31 December 2022 £000
Weighted average number of ordinary shares for basic and diluted earnings per share	61,493	61,493	61,493
Impact of share options	180	743	277
Weighted average number of ordinary shares for diluted earnings per share	61,673	62,236	61,770

6. NET CASH FROM OPERATING ACTIVITIES

	Six months ended 30 June 2023 £000	Six months ended 30 June 2022 £000	Year ended 31 December 2022 £000
Reconciliation of profit before taxation to net cash flows from operations:			
Profit / (loss) from continuing operations before tax	1,624	3,149	(5,572)
Depreciation and impairment on property, plant, and equipment	645	671	1,205
Depreciation on right-of-use assets (IFRS 16)	880	848	1,670
Impairment of right-of-use assets (IFRS16)	-	-	388
Release of lease liability (IFRS16)	(387)	-	-
Finance costs	890	474	1,192
(Gain) / Loss on sale of plant and equipment	2	(24)	57
Loan arrangement fee charged to income statement	(77)	-	-
Amortisation of intangible assets	545	472	1,037
Impairment of intangible assets	-	-	168
Impairment of goodwill	-	-	10,072
Settled share options	-	(40)	(42)
Equity settled share-based payment charge	97	103	372
Exchange differences on non-cash balances	(56)	-	65
Operating cash inflow before changes in working capital and provisions	4,163	5,653	10,612
Change in trade and other receivables	(1,664)	(3,316)	(2,945)
Change in stocks	601	(4,099)	(738)
Change in trade and other payables	804	(642)	(1,702)
Change in provisions	24	(7)	7
Cash generated from operations	3,928	(2,411)	5,234
Tax paid / (reclaimed)	(321)	(94)	(220)
Net cash generated / (used) from operating activities	3,607	(2,505)	5,014

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 2022 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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