NEWS RELEASE
Issued on behalf of **Flowtech** Fluidpower **plc**

Immediate Release
Tuesday, 26 March 2024

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014 4 as it forms part of UK domestic law pursuant to the Market Abuse (Amendment) (EU Exit) regulations (SI 2019/310) ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

Flowtech Fluidpower **plc**
("Flowtech" or "the Company")

2023 Unaudited Annual Results

AIM listed **Flowtech Fluidpower plc** (LSE: symbol FLO), today releases unaudited preliminary results for the year ended 31 December 2023 and extracts from the 2023 Annual report and financial statements which will be published in due course.

Financial highlights	**FY2023** *unaudited*	**FY2022** *audited*
• Revenue	£112.1m	£114.8m
• *Gross profit percentage*	*36.8%*	*35.7%*
• Underlying EBITDA*	£9.4m	£11.6m
• Underlying operating profit*	£6.0m	£8.6m
• Operating loss *(after separately disclosed items)*	£(10.4)m	£(4.4)m
• Net cash generated from operating activities	£8.2m	£5.0m
• Net Debt**	£14.7m	£16.0m
• Final dividend	2.1p	2.0p

2023 Operational highlights
• Simplified operating model to build platform to unlock full margin potential of the Group
• New leadership team in place, tightly managed overheads with 7.5% headcount reduction in H2
• Focus on commercial excellence delivered 111bps of gross margin improvement
• Continued focus on working capital management delivering £1.8m improvement
• 9%-point improvement in product distribution stock availability, fast moving products now at 97%
• Restructured sales and marketing, new catalogue prepared and reset of the digital growth strategy
• Improved customer experience, complaints down by >50%, customer satisfaction 73.1 (aiming higher)
• Fulfilment centre efficiency gains, 22% increase in operator capacity and 35% headcount reduction

Roger McDowell, Non-executive Chair said:

"We have addressed what we believe to be the root causes of underperformance in our GB Product Distribution business and are confident that 2024 will see the beginnings of a return to historic EBITDA margins in this side of our business. We are pleased with the progress that has been made in other areas of our business, most notably in Ireland where we have achieved significant growth."

"As we look ahead to 2024 and beyond, despite the continued challenging external market, I am enthusiastic and optimistic. We have a new and energised Leadership Team, with a Performance Improvement Plan now beginning to deliver measurable results and clarity of our strategy which serves to unlock the full potential of the Group across six defined EBITDA growth engines."

"We are well positioned to capitalise on the opportunities available to us. We have much work to do, but we have a strong team in place and an unwavering determination to provide a solid foundation for sustained growth and value creation in the years to come."

Commenting on the development of the business, Mike England, CEO added:

"Many of the foundations needed to recover performance and scale have been put in place and we are confident that 2024 will be an important turning point for Flowtech."

"Our outlook is positive and optimistic. Despite a challenging market, with the ongoing focus on the Performance Improvement Plan initiatives, we expect continued improvement in gross margins and further efficiencies, a positive recovery in our product distribution channel with the benefits of the improved service levels, launch of our new catalogue and enhancements to the website experience. We are focussed on many self-help opportunities and with the rebranding to 'One Flowtech' in Q2 '24, this unlocks further synergies including cross selling and upselling the combined product and solutions proposition to our customers."

Further enquiries please contact:

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NOTES:

*Underlying operating profit is used as an alternative performance measure to assess the trading performance of the business and is operating profit before separately disclosed items which are amortisation and impairment of acquired intangibles, impairment of goodwill, impairment of right of use assets, share based payments, and restructuring costs.

** Net Debt is Bank Debt less the value of cash and cash equivalents. It excludes lease liabilities under IFRS16. Bank Debt is the value of the Barclays Revolving Credit Facility of £20m and any utilised value of the £5m overdraft facility, less any unamortised value of loan arrangement fee

2023 webcast presentation:
The Company will be holding a 'live' presentation via the Investor Meet Company the following day **on Wednesday, 27 March at 11.30am**. Those wishing to join the session can do so via the platform link:

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

Annual General Meeting (AGM)
The AGM is to be held at **10.00am on Tuesday, 11 June 2024** at the Group's Headquarters, Flowtech Fluidpower plc, Bollin House, Bollin Walk, Wilmslow SK9 1DP. The Notice convening the Company's 2024 Annual General Meeting shall be published on the Company's website and posted to shareholders who have elected postal copies in due course.

News updates, regulatory news, and financial statements can be viewed and downloaded from the Group's website, www.flowtechfluidpower.com . Copies can also be requested from: The Company Secretary, Flowtech Fluidpower plc, Bollin House, Bollin Walk, Wilmslow, SK9 1DP. Email: info@flowtechfluidpower.com.

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. Therefore, nothing in this document should be construed as a profit forecast by the Company.

Statement by Roger McDowell, Non-executive Chair

Our year

2023 was a year of important change at Flowtech, with the arrival of our new CEO Mike England in April. I would like to take this opportunity to thank our former CEO Bryce Brooks for his valued contribution and commitment to the business during his 13-year tenure.

I am pleased with the positive progress made since Mike's arrival, the renewed energy that he has brought across the Company, the refocus of our strategic direction and the implementation of the Performance Improvement Plan including assembling a new and highly motivated leadership team.

Revenue was weaker than originally expected at the beginning of the year. In part this was due to service disruption resulting from the business integration within product distribution that was implemented in 2022, but also due to the ever-increasing market headwinds experienced from Q2 onwards, including a slowing of demand from a small number of larger original equipment manufacturer customers. Our year end net debt was higher than originally expected at £14.7m, due in part to over £1m of investment in high running products to recover service levels.

Despite lower revenues, I am happy to report that we have achieved £9.4m, very slightly ahead of revised underlying EBITDA expectations, and the Board is therefore recommending a final dividend of 2.2p, which also reflects our confidence in our future strategy.

Returning to a customer first business

We have spent more time listening to our customers, ensuring they are truly at the heart of our business, which is something I believe we had unfortunately lost sight of. By putting customers first and leaning into the feedback they have given us, we have clearer insights into where we are doing well and where we need to focus. The Performance Improvement Plan we implemented in Q3 2023 focused on those areas and I am encouraged with the early results that this has had.

With this renewed focus on performance improvement, getting back to doing the basics well, I have been particularly encouraged by the overall service level recovery, the emphasis on optimising gross margins and also, the actions taken to control and manage costs. These areas of focus all gathered positive momentum throughout the second half of the year.

With near-term improvements in place, we are continuing to listen to our customers to understand their needs both now and for the future and have turned our attention as a Board to longer term thinking and our renewed strategic plan. Our strategy is simple, focusing around three pillars:

Customer First	Our customers will always be at the heart of what we do. We know our customers' needs are changing and we are evolving as a business to meet and exceed expectations enabled more by digital and data.
Power of One	Unlocking the full value proposition across the Group in bringing together all of our businesses under the Flowtech brand.
World of Motion	Expanding our product & service offer to increase our reach to further meet the needs of our customers across the wider power, motion and control market.

Our commitment to a safer and more sustainable world

Our refreshed purpose-led culture and strategy underpins our ESG commitment, and I am pleased to report that we have continued to build on the good progress already made with our objective to launch our 2030 ESG plans later in 2024. In terms of progress, over the past year we have:

- Implemented a new senior leadership team of which half of the team are female. At the next tier, we have also increased our female leadership population by 50%
- Increased focus and leadership attention on the health, safety and wellbeing of our people, customers, suppliers and stakeholders. We have had zero Reporting of Injuries, Diseases and Dangerous Occurrences (RIDDORs) and due to improved reporting, have increased near miss reporting by over 100%
- Continued to make progress in reducing our overall environmental impact as a company, 23% reduction in like for like carbon emissions, recycling over 52,000kg of general and non-hazardous waste along with 13,000 litres of hazardous waste diverted away from landfill and increased the number of electric or hybrid vehicles in our fleet to over 50% of the total

Our investors

It is vital that we maintain an active and open dialogue with our investors. In conjunction with Mike, we have reinvigorated our focus to increase our investor facing activity and I have been encouraged that we have hosted a number of investor visits to Flowtech to demonstrate the progress and improvements we are making first hand underpinned by the Performance Improvement Plan and our refreshed and refocused strategy. We look forward to speaking with many of our investors during the forthcoming roadshows.

Our People and the Board

I am delighted with both the response to our new leadership and the energy demonstrated by our people during a period of rapid change and I would thank them all for their efforts, their contribution is invaluable. I am also pleased with the positive progress made in embedding an excellent Board with a varied and relevant experience combined with a positive but challenging approach to strive for the high performance expected by our customers. Welcoming Mike England, alongside his other senior leadership hires, brings a new depth of relevant industry and leadership knowledge and experience to complement our existing team. I would like to sincerely thank the Board members for their continued commitment and positive contributions.

Looking ahead

As we look ahead to 2024 and beyond, despite the continued challenging external market, I am enthusiastic and optimistic. We have a new and energised Leadership Team with a Performance Improvement Plan now beginning to deliver measurable results and clarity of our strategy which serves to unlock the full potential of the Group across six defined EBITDA growth engines:

1. Customer growth
2. Commercial excellence
3. Product and service expansion
4. Own brand
5. Operating for less, and
6. Building talent and capabilities

We are well positioned to capitalise on the opportunities available to us. We have much work to do, but we have a strong team in place and an unwavering determination to provide a solid foundation for sustained growth and value creation in the years to come.

25 March 2024

Statement by Mike England, CEO

“2023 focus has been on fixing the basics and unlocking near-term self-help opportunities whilst building the stronger foundations needed to scale and deliver accelerated growth in earnings.”

Reflections of the year

When joining the business in April 2023, I saw an exciting opportunity to transform and grow Flowtech to unlock the full potential across the Group and improve shareholder value.

Flowtech has over 40 years as a leader and specialist product distributor of Fluid Power products. In the past decade, the Group has acquired several product distribution and engineering solutions businesses, delivering a number of benefits including expansion of its geographical footprint into Island of Ireland (“Ireland”) and Benelux.

The Company has a unique customer value proposition which has significant further potential. Competitive advantage comes from being a ‘specialist’ in the power, motion and control sector, combining the strength of the product distribution offering which includes an excellent ‘own brand’ range, with a broad and highly technical engineering systems and solutions capability across the UK, Ireland, and Benelux. There are future growth opportunities in broadening out this product and service offer and geographical reach over time.

Since joining in April, I have certainly been energised and motivated by the passionate and knowledgeable people that we have across the businesses. It has been a priority to engage with a broad spectrum of customers to listen carefully to their feedback and meet with a wide cross section of our strategic supplier partners to identify opportunities to strengthen our partnerships. In doing so, we are building a deeper understanding of the market and the current position, assessing what is working well, where there are key areas for improvement and how we can unlock the value and exciting opportunity ahead of us.

This has resulted in the implementation of the Performance Improvement Plan in Q2, and we have overlayed this with the clarity of the Strategic Plan initiated in Q3. There has also been a restructure and simplification of the operating model, including establishing and embedding a newly formed Group Leadership Team. This work has built the platform for mid-term growth, setting in motion the plan to unlock the many EBITDA growth opportunities within the Group into 2024 and beyond, creating increased value for our shareholders.

It is our people that make the difference, with their dedication and passion in helping our customers to keep industry moving across a wide range of technical power, motion and control products and services.

We thank our people, new and existing, who have embraced the important changes being implemented.

Whilst not without challenge, we are proud of the strong progress that has been made in the past year to initiate the required change to set our business up for near and mid-term success.

Reviewing 2023

While overall revenue reduced by 2.3%, the highlight within this was the Ireland growing at 11.9% with strong market share gains. We saw moderate growth in Benelux with underperformance in Great Britain reflective of both a weaker market from Q2 onwards, with increased slowdown in some OEM volume and ongoing customer service issues within product distribution (a legacy from the 2022 business integration) which we largely resolved in H2.

From Q2, leadership attention concentrated on implementing the Performance Improvement Plan designed to fix many of the core basics required to improve near-term customer service and performance and to lay the foundations needed to transition the business to a more customer-centric, lean, and scalable platform for growth.

This is broadly structured under three headings:

1. **A new, simplified operating model -** *To unlock the full potential of our people and capabilities across the Group*

From August, we initiated the transition away from a complex, fragmented multi-brand divisional structure to a simple functional, country-led structure and one brand model. In doing so, we created a newly structured leadership team with a strong mix of existing and new high potential talent to power up our capabilities. This team was fully in place from October powering up the functional capabilities needed to scale. In Q4, we completed a full organisational re-structure across all functions to ensure that we have the right people in the right roles with the right capability to do the right things better.

2. **Customer centric -** *Winning back customer confidence, powering up our growth capabilities to increase the quality and frequency of customer interactions underpinned by improved customer service*

From Q3, we have accelerated changes needed to fire up our growth engines including restructuring the GB sales organisation underpinned by a sales development programme and the introduction of professional sales processes. We have made strong progress improving our customer service levels introducing key performance indicators for service and in Q4, we initiated for the first time a customer satisfaction measurement so that we use customer feedback to guide our decision making and priorities.

<u>*Digital and data enablement is critical to our future success*</u>. In Q3 we completed a full audit and review of our digital, data and technology platforms and conducted extensive customer research to inform our digital strategy. Our roadmap is now implemented. We have ensured

stability of the existing platform with improvements ongoing whilst we transition to a new and improved scalable platform during 2024, powering up digital leadership and talent across the Group. Phase one is the launch of a new white label web platform in Q3 '24 to underpin our growth ambitions across our Distributor Partner channel.

3.Getting back to doing the brilliant basics - *Delivering operational and service excellence*

In H2, our focus in Product Distribution has been to increase the service levels from the fulfilment centre and in particular, increasing the stock availability on our fastest running products from 88% in July to more than 97% in December, putting in place new processes to ensure consistent availability and optimising working capital. In doing so, we have reduced overall customer complaints by more than 50%, increased capacity per operator by 22% and reduced overall headcount in the fulfillment centre by 35%.

We have initiated the plans and actions to introduce automation and control to drive greater efficiency within the Fulfilment Centre which will be fully implemented during 2024. We plan to further consolidate our supply chain to ensure greater supplier collaboration and brand partnerships which we see as a key enabler for growth over the coming years.

Setting our strategy for the future

We have implemented a simple strategic framework consisting of three pillars underpinned by six defined EBITDA growth engines where we have identified opportunities for increased value creation.

1.	**Customer First**
2.	**The Power of One**
3.	**A World of Motion**

We have powered up leadership capability in strategic delivery and implemented our plan "WOLF", which defines as, - "***Winning team***", "***Operational Excellence***" - "***Love our customers***"-"***Fabulous performance***". This is to make sure everyone across the Company understands the strategy, the part they play and the milestones and deliverables we need to achieve. All of which underpins our six EBITDA growth engines with a new standardised Group-wide set of key performance indicators.

Our commitment to a safer and more sustainable world

We have increased focus of the new leadership onto ESG, concentrating on three immediate areas whilst we build out our 2030 plans to be launched later in 2024:

- **Our environment and becoming more sustainable**
  We have an increased passion and focus to become the leading distributor in our market with a sustainability focused end-to-end supply chain. We continue to make good progress in reducing our environmental impact across our fleet, in our efforts towards reducing waste to landfill and in our overall carbon emissions

- **Our culture and the health, safety, and wellbeing of our people**
  A key change in the business is a shift to become a customer-first, purpose-led company. I am particularly pleased with the progress made on a 50/50 gender diversity split within the new leadership team. Diversity remains a key focus for the business and our future growth

- **Our governance and policies as we make the shift to a One Flowtech**
  As a new leadership team, we are adopting a One Flowtech approach and have initiated strategic review of all of our policies and processes across the organisation

In summary

Our outlook is positive and optimistic. Despite a challenging market, with the ongoing focus on the Performance Improvement Plan initiatives, we expect continued improvement in gross margins and further efficiencies, a positive recovery in our product distribution channel with the benefits of the improved service levels, launch of our new catalogue and enhancements to the website experience. We are focussed on many self-help opportunities and with the rebranding to 'One Flowtech' in Q2 '24, this unlocks further synergies including cross selling and upselling the combined product and solutions proposition to our customers.

We have an energised, and motivated team with a culture that has shifted to being customer centric with leadership attention focused on delivering the highest operating standards and performance. Many of the foundations needed to recover performance and scale have been put in place and, while the market remains challenging, we are confident that 2024 will be an important turning point for Flowtech.

25 March 2024

Our Performance Improvement Plan

In the summer of 2023 we identified a number of areas that needed some urgent attention and swiftly implemented our Performance Improvement Plan to drive immediate change. Our objective was to deliver a more customer centric, lean and scalable platform for growth. Our Performance Improvement Plan is underpinned by three key principles:

Simple →	New, simple operating model with new team releasing the full potential of our people and our capabilities.
Customer Centric →	Decision making and activities centred around the customer with a refreshed growth focus
Scalable →	Re-focus on doing the basics brilliantly whilst improving our operational technology infrastructure to power future growth

We have been pleased to see some excellent results because of this plan. By implementing some simple improvements, in line with the needs of our customers we have seen a number of positive results:

- Tightly managed overheads with 7.5% headcount reduction in H2.
- Focus on commercial excellence delivered 111bps of gross margin improvement.
- Continued focus on working capital management delivering £1.8m improvement.
- 9%-point improvement in product distribution stock availability, fast moving products now at 97%.
- Restructured sales and marketing, new catalogue prepared and reset of digital growth strategy.
- Improved customer experience, complaints down by >50%, customer satisfaction 73.1 (aiming higher)
- Fulfilment centre efficiency gains, 22% increase in operator capacity and 35% headcount reduction

We were proud to partner with the Institute of Customer Service (ICS) in 2023. We have adopted the UK Customer Satisfaction Index to understand how our customers feel about our business and to benchmark the service we provide our customers. Our customers scored us at 73.1, - with the UK all-sector average of 76.6. We have used this feedback to build our Strategic Plan and are focusing on improving this result to be in the top quartile.

In 2023 we started to track our Net Promoter Score. Our activity so far has helped us establish our baseline and we will develop our approach to this in 2024, to encompass all areas of our business and enable us to respond to timely, in the moment feedback from our customers.

Introducing our Strategic Plan 2023-2026

We have set out our refreshed strategy to deliver mid-term market growth and value creation.

A	**Customer First** Diverse customer base and omni-channel approach in a highly fragmented market.	**£30Bn** market opportunity
B	**Power of One** Differentiated value proposition delivered under one brand and lean, efficient operating model.	**Mid-teen** EBITDA margins
C	**A World of Motion** Expanding our products, services and geographical reach to increase market penetration.	**x2** market growth rate

Customer First

Our customers' needs are changing with increased digitisation across products and services. The need to operate machines and operations more sustainably drives increased adoption of electrification and opens up new opportunities such as one of industry's megatrends, hydrogen. There is increased market consolidation happening and supply chains becoming more regionalised meaning strategic supplier partnerships are a critical enabler to drive customer satisfaction. With a shortage of skilled engineers in industry, this increases the demand on suppliers to move up the value chain to deliver complete systems and solutions not only the supply of products.

The Power of One

Unlocking this potential is made possible by simplifying the operating model under one brand, Flowtech. In doing so, shifting from a fragmented house of brands to a leveraged and integrated branded house. This includes rebranding over ten 'own brand' product ranges into one, FT Pro, then to increase brand building activity around a simple and compelling customer value proposition. We have put the building blocks in place in H2 2023 to enable this rebranding and transition to One Flowtech in H1 2024 including the launch of a new catalogue in April 2024 and the new and improved next generation Flowtech website, starting with a white label digital offering for Distribution Partners, ready for launch in Q3 2024.

A World of Motion

The fluid power market is changing and we need to evolve to meet our customer needs and accelerate our commercial advantage. Expanding our product and service offering across the power, motion and control sectors increases our addressable market opportunity in Europe from £10bn to more than £30bn helping us to increase customer penetration and future proofing our business. Bringing together our full capabilities and potential under one brand, one simple operating model and one value proposition.

Flowtech is well positioned to create competitive advantage by unlocking the full Group potential with a broad technical product offering and engineering service capability across our indirect distributor network and our direct channels. This includes a mature own brand product portfolio with the opportunity to continue to expand and grow its share. The mid-term opportunity is to expand our product and service offering into the wider 'World of Motion' to better support our collective customers and their evolving needs.

Strategy Execution

Underpinning our strategic pillars is a comprehensive strategy delivery framework consisting of six EBITDA growth engines and clearly defined deliverables which will be phased in over the coming three years. Supporting this is an increased focus on performance management and the introduction of a standard set of financial and non-financial key performance indicators that we will report on to track and monitor our progress.

	EBITDA growth engines	Engine components	EBITDA Growth	Debt Reduction
1	Customer growth	• Selling more things to existing Customers		
		• New customer acquisition		
		• Introduce industry sector Channel strategy		
2	Commercial excellence	• Buying BETTER and selling WELL		
		• Improving receivable and debtor days		
		• Optimising inventory availability and stock turns		
3	Product and service expansion	• New product and Brand expansion		
		• New services introductions		
		• Increase geographical reach		
4	Own brand	• Increase share of customer wallet		
		• Focused product range expansion		
		• Focused industry channel growth		
5	Operate for less	• Increased distribution efficiency and productivity		
		• Optimise throughput and manufacturing capacity		
		• Improved sustainability and environmental impact		
6	People, talent and capability	• Increased overall employee engagement		
		• Improve diversity and build inclusive culture		
		• Health, safety and wellbeing of people first		

Key performance indicators
Financial
• Like for like revenue growth
• Adjusted operating profit margin
• Return on capital employed
• Adjusted cash flow conversion
• Net debt
Non-financial
• Customer satisfaction
• All accidents
• Employee engagement
• Carbon emissions
• % of women in leadership

Within our strategic delivery plan, there are a small number of larger projects that we are initiating in 2024 to deliver core foundations that we need to scale and to deliver increased efficiency and margin growth. Below are two examples of projects that are already in flight.

i) Increasing Throughput

Following a review of our fulfilment centre in Skelmersdale during H2 2023, we identified a number of critical operational improvements that were needed to improve efficiency and ultimately ensure a high level of service for our customers. We started by getting the basics right, encouraging collaboration across teams, improving stock availability, reducing inefficient working practices, and introducing continual improvement principles. As a result of this, stock availability on fast moving stock lines has increased from 88% to 97% over 6 months and customer complaints have reduced by over 50%.

In the next phase during 2024, we will introduce a level of automation with a conveyor system to support product put away, picking and packing processes to reduce walking time and accuracy of the operation. There will be an integration of a new Warehouse Management System (WMS) with our ERP system to manage customer orders being picked and packed more efficiently whilst improving the overall customer service. Additionally, with expansion of the fulfilment centre capacity by over 10,000 pick locations, we remove the need for outside storage.

ii) Our Digital approach

Having a clear digital approach is necessary to thrive in the digital age. It provides a structured approach to leveraging digital technologies to achieve business goals, stay relevant, maintain a competitive position in the market, and avoid being left behind.

Being “digital” is more than having a fantastic website. Digital is how we interact with our customers across all sales channels and service touchpoints to provide a seamless, consistent, personalised experience to maximise value and drive conversion—an “Omni Channel” experience. Digital will be a differentiator in selling and applying our engineering solutions.

In 2024 we will be focusing on:

- Growing our customer base by improving and increasing uptake in the digital channels (White Label, Punchout, EDI) – with the emphasis being on launching a new white label web offering for Distributor Partners in Q3 ’24.
- Increasing average order value by employing data-driven upsells and cross-selling
- Increasing the frequency of customer purchases with intelligent omnichannel marketing (right time, right place and right price)
- Optimising the customer experience of our website to drive conversion, giving our sales team the opportunity to convert engineering services and product distribution leads and sell more
- Building out self-service and automation to reduce the cost to serve, lowering our overhead needs in sales and customer service as we scale

iii) Integrating our business

Today, the Flowtech Fluidpower group consists of 17 different brands, split across our product distribution and engineering services businesses. These businesses were acquired between 2012-2018 but never fully integrated and the true value and synergy opportunity not realised. This has created confusion in the marketplace, with our customers unaware of the size of our business and the breadth of our offer. We have had no clear value proposition to convey our full offering to our customers, which has resulted in value being left off the table.

One Flowtech

In 2023, we took the decision to bring our organisation together with the introduction of a simple operating model, releasing the full potential of our people and our capabilities. We have adopted a country-led approach, with our three geographies in Great Britain, the Ireland and the Benelux, with a functional structure supporting those areas, in a matrix style.

This will enable us to truly put our customers at the heart of our business, with a unique value proposition that encapsulates our full product distribution and engineering service offer.

We will offer customers:

- Easy access to the widest technical product range.
- Expert engineered systems and solutions.
- A market leading distributor partner programme.

We now have a clear understanding of how we best go to market, either through our distributor partner programme or direct to customers. With this approach we will transition to a targeted go-to-market approach.

This also helps to simplify our business and as we transition to One Flowtech, we move away from being a series of unconnected smaller companies to one professional single integrated company.

Practically, this will mean we reduce 10 cash generating units to three. 60 statements of operations down to three. We will standardise on how we work by introducing professional procurement, introducing an integrated digital and marketing, aligning consistent processes and procedures and to simplification and alignment of our human resource activities.

FLOWTECH
a world of motion

Statement by Russell Cash CFO

"The business has undergone significant change in the last 12 months – the new leadership team is buoyed by the range and depth of performance improvement opportunities we have identified. We remain focused on managing all aspects of our working capital and reducing our net debt "

The Group trading performance at a glance	**2023** **£m** *unaudited*	2022 £m *audited*	**Change** **£m/%**
Group revenue	**112.1**	114.8	-2.3%
Gross profit	**41.3**	41.0	0.7%
Gross profit %	**36.8%**	35.7%	111bps
Distribution expenses	**(4.5)**	(4.4)	(0.1)
Administrative expenses before separately disclosed items *(see note 2)*	**(30.7)**	(28.0)	(2.8)
Underlying operating overheads	**(35.3)**	(32.4)	(2.9)
Less Central costs *(refer note 3)*	**(5.3)**	(4.5)	(0.9)
Underlying segment operating overheads	**(30.0)**	(27.9)	(2.0)
Underlying segment operating profit	**11.4**	13.1	(1.7)
Underlying operating profit*	**6.0**	8.6	(2.6)
Less separately disclosed items	**(16.4)**	(13.0)	(3.4)
Operating loss	**(10.4)**	(4.4)	(6.0)
Financing costs	**(1.7)**	(1.2)	(0.5)
Loss before tax	**(12.1)**	(5.6)	(6.5)
Tax	**(0.9)**	(0.7)	(0.2)
Loss after tax	**(13.0)**	(6.3)	(6.7)
Underlying EBITDA*	**9.4**	11.6	(2.2)

(*) Underlying operating profit is used as an alternative performance measure to assess the trading performance of the business and is operating profit before separately disclosed items which are amortisation and impairment of acquired intangibles, impairment of goodwill, impairment of right of use assets, share based payments, and restructuring costs. The £3.4m differential between underlying operating profit and underlying EBITDA relates to £3.2m in respect of depreciation charges (£1.4m relating to fixed assts and £1.8m in respect of right of use assets) together with £0.2m relating to website amortisation.

Our geographical segments at a glance

	Great Britain ("GB")			**Benelux**			**Ireland**		
	2023 *unaudited*	2022 *audited*	Change	**2023** *unaudited*	2022 *audited*	Change	**2023** *unaudited*	2022 *audited*	Change
Revenue (£m)	79.5	84.9	(5.4)	10.6	10.4	0.2	22.0	19.6	2.4
Underlying operating profit (£m)	7.2	9.8	(2.4)	1.6	1.3	0.3	2.5	1.9	0.6
Underlying operating margin	*9.3%*	*11.5%*	*(2.3)*	*14.5%*	*13.0%*	*1.5*	*11.4%*	*9.9%*	*1.5*
Underlying profit before tax (£m)	7.0	9.6	(2.4)	1.6	1.3	0.3	2.5	1.9	0.6

Revenue

Overall revenue reduced by 2.3% with very different performances across each of our three segments:

- In GB our revenue fell by 6.2%. With new leadership onboarded, we have identified the reasons for that and are confident the position can be recovered and we can build from this position. There are a significant number of plans now in place to support a return to the growth agenda as outlined in the CEO year in review section of this report.
- In Ireland we were pleased with the 11.9% growth; this builds on successful prior year trading periods following the integration of the Nelson and Hi-Power businesses in February 2021. We are confident this trend can continue, not least when we see the expected benefits attached to going to market as " one "Flowtech" coming through.
- In Benelux our revenue increased by a modest 2.0%. With the GB and Benelux product distribution businesses beginning to work more closely together, and with our plans to deliver a greater breadth of opportunities to our customer base, we are confident we can achieve more significant growth in coming years.

Gross profit

The 111bps improvement in our gross profit margin is pleasing, with gross profit increasing by £0.3m despite the 2.3% reduction in Group revenue. We have plans to maintain and build on this position.

Operating overheads

Administrative expenses increased by £2.8m (9.8%). Approximately two thirds of our cost base relates to payroll and one third the aggregation of all other operating overheads. With regards to people costs a reduction in our average headcount has mitigated the impact of inflationary pay pressures and the investment we have made in our new leadership team. Nevertheless, taking account of inflationary related pay increases and the impact of the incremental cost attached to the new leadership team our overall salary costs have increased by £0.8m (3.5%) Other contributing factors include depreciation (£0.3m higher), utility costs (£0.3m higher), professional and banking costs (£0.3m higher) and project & IT costs (£0.2m higher) with the balance of the increase reflecting inflationary pressures.

Central costs

A summary of central costs is provided below:

	2023 **£000** *unaudited*	2022 £000 *audited*
Management salaries	2,271	2,083
Accounting & finance	935	864
Project & IT costs	723	572
PLC costs	589	532
Other central operating costs	784	458
	5,302	4,509

Management costs include the employment costs of the Executive Officers, Group Leadership Team members excluding those that have specific segment responsibilities. Accounting and finance covers the salary costs of the central finance and internal audit function. PLC costs capture the salaries of Non-Executive Directors and professional fees associated with our PLC status. Other areas of cost primarily relate to our project management and central health and safety teams.

Separately disclosed items

Refer note 2	**2023** **£000** *unaudited*	2022 £000 *audited*
Separately disclosed items within administrative expenses:		
-Amortisation of acquired intangibles	**906**	943
-Impairment of acquired intangibles	**-**	168
-Impairment of goodwill	**13,026**	10,072
-Impairment of right of use assets	**456**	-
-Share-based payment costs	**462**	372
- Release of lease liability	**(412)**	-
-Restructuring	**1,918**	1,411
Total separately disclosed items	**16,356**	12,966

Impairment of goodwill and right of use assets

The impairment of goodwill relates to two cash generating units: Flowtechnology UK ("FTUK") (£12,821k) and Primary Systems (£205k). Details relating to this are provided in Note 8. Both of these cash generating units have been, and are expected to remain, profitable parts of our business.

The performance of FTUK has not been as strong as we had hoped but plans are now in place, under the direction of new management, to restore the business to previous levels of profitability. The reduction in profitability, combined with an increase in the pre-tax discount rate from 13.1% used in 2022 to 17.5% has had a significant impact on the net present value of future cash flows.

The impairment of right of use assets of £456k relates to the Hi-Power Transport cash generating unit. Given that the associated goodwill and intangibles were previously fully impaired, the current year impairment has been to the right of use assets. Hi-Power Transport remains a profitable part of our business; again the use of a higher discount rate in part explains the need to impair.

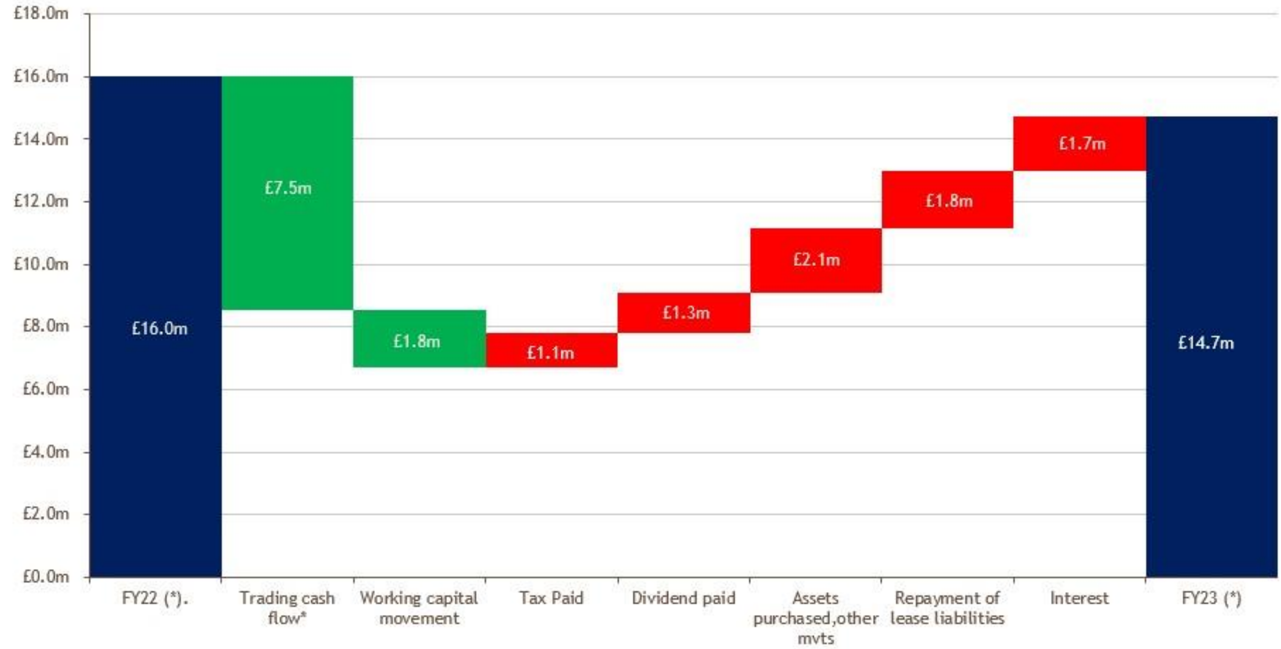
Restructuring costs
The key components of restructuring costs are £0.8m relating to the exit of former members of the senior management team including payment for notice periods and £0.6m in relation to the closure of the Leicester warehouse. The balance of the charges relate to costs associated with a broad range of restructuring projects.

Taxation
The underlying profit before tax for 2023 was £4.3m; a variety of factors convert this to a figure subject to corporation tax. The 2023 charge includes a prior period charge relating to deferred tax of £217k. It has also been impacted by the fact that FY22 Company tax returns were filed after the reporting of the Group accounts; the actual calculation indicated that the FY22 liability was understated and an adjusting entry of £184k has been made in 2023.

Net Debt
Our Net Debt position (excluding lease liabilities) reduced by £1.3m from £16.0m to £14.7m; for clarity £14.7m is the net of our £20m revolving credit facility (RCF) and the £5.3m cash at bank we held at year end. If IFRS16 lease liabilities are included the position reduced by £2.5m (from £22.7m to £20.2m).

Net cash generated from operating activities totalled £8.2m (2022: £5.0m); this is the aggregation of operating cash inflow before working capital movements of £7.5m, favourable working capital movements totalling £1.8m and tax paid of £1.1m. After cash outflows of £2.1m associated with investing activities, £3.6m relating to financing activities and the dividend payment of £1.3m this left £1.3m available for Debt reduction.

This is summarised in the graph below:



(*) Opening and closing figures exclude IFRS 16 related liabilities. IFRS16 debt reduced by £1.2m in 2023. In the second half of the year we invested £1.3m in increasing the inventory levels of our faster moving lines to improve stock availability considerably.

Banking facilities
Our £20m revolving credit facility provided by Barclays Bank was extended to May 2027. Covenant terms under the new agreement are consistent with before, and the base charge for the credit facilities are Sterling Overnight Index Average (SONIA)+2.40% and are subject to a non-utilisation fee of 0.84%.

The Group also has a £5m overdraft facility which was reviewed in February 2023 and on-going support was approved.

Summary
2023 has been a year in which the business has undergone significant change, not least in the make-up of the new Leadership Team. Under Mike England's leadership, the business has identified significant scope for profit improvement, and we expect that over time each of our identified profit growth engines will deliver significant incremental profit. We have addressed what we believe to be the root causes of underperformance in our GB Product Distribution business and are confident that 2024 will see the beginnings of a return to historic EBITDA margins in this side of our business. We are pleased with the progress that has been made in other areas of our business, most notably in Ireland where we have achieved significant growth.

Our Net Debt position remains well under control; the extent of our Net Debt reduction in the second half of 2023 was impacted by our decision to invest in certain items of faster moving inventory to improve on the availability of our core product ranges.

We look forward to the rest of 2024 and beyond, buoyed by the range of profit improvement initiatives which are available to us.

25 March 2024

Consolidated Income Statement
For the year ended 31 December

	Note	**2023** **£000** *unaudited*	2022 £000 *audited*
Continuing operations			
Revenue	*3*	**112,095**	114,766
Cost of sales		**(70,832)**	(73,792)
Gross profit		**41,263**	40,974
Distribution expenses		**(4,534)**	(4,428)
Administrative expenses before separately disclosed items:		**(30,740)**	(27,960)
- Separately disclosed items	2	**(16,356)**	(12,966)
Total administrative expenses		**(47,096)**	(40,926)
Operating loss	*4*	**(10,367)**	(4,380)
Financial expenses		**(1,735)**	(1,192)
Loss from continuing operations before tax	*2*	**(12,102)**	(5,572)
Taxation	*5*	**(875)**	(680)
Loss from continuing operations		**(12,977)**	(6,252)
Loss for the year attributable to:			
Owners of the parent		**(12,977)**	(6,252)
		(12,977)	(6,252)
Earnings per share			
Basic earnings per share - continuing operations	*7*	**(21.10p)**	(10.17p)

Consolidated Statement of Comprehensive Income
For the year ended 31 December

	2023 **£000** *unaudited*	2022 £000 *audited*
(Loss)/profit for the year	(12,977)	(6,252)
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
- Exchange differences on translating foreign operations	(136)	318
Total comprehensive loss for the year	(13,113)	(5,934)
Total comprehensive loss for the year attributable to:		
Owners of the parent	(13,113)	(5,934)
	(13,113)	(5,934)

Consolidated Statement of Financial Position

at 31 December

	Note	**2023 £000** *unaudited*	2022 £000 *audited*
Assets			
Non-current assets			
Goodwill	*8*	40,066	53,092
Other intangible assets	*9*	2,529	3,523
Right-of-use assets		4,829	6,091
Property, plant and equipment		7,822	7,234
Total non-current assets		55,246	69,940
Current assets			
Inventories		32,009	31,486
Trade and other receivables		23,725	24,620
Prepayments		856	387
Cash and cash equivalents		5,184	3,972
Total current assets		61,774	60,465
Liabilities			
Current liabilities			
Interest-bearing borrowings		-	19,967
Lease liability		1,695	1,705
Trade and other payables		21,558	19,569
Tax payable		767	1,219
Total current liabilities		24,020	42,460
Net current assets		37,754	18,005
Non-current liabilities			
Interest-bearing borrowings		19,915	-
Lease liability		3,822	5,008
Provisions		330	317
Deferred tax liabilities		1,534	1,281
Total non-current liabilities		25,601	6,606
Net assets		67,399	81,339
Equity directly attributable to owners of the Parent			
Share capital		30,746	30,746
Share premium		60,959	60,959
Other reserves		187	187
Shares owned by the Employee Benefit Trust		(124)	(124)
Merger reserve		293	293
Merger relief reserve		3,646	3,646
Currency translation reserve		23	159
Retained losses		(28,331)	(14,527)
Total equity attributable to the owners of the Parent		67,399	81,339

Consolidated Statement of Changes in Equity

For the year ended 31 December

	Share capital £000	Share premium £000	Other reserve £000	Shares owned by the EBT £000	Merger reserve £000	Merger relief reserve £000	Currency translation reserve £000	Retained losses £000	Total equity £000
Balance at 1 January 2022 *audited*	30,746	60,959	187	(276)	293	3,646	(286)	(7,267)	88,002
Loss for the year	-	-	-	-	-	-	-	(6,252)	(6,252)
Other comprehensive income	-	-	-	-	-	-	318	-	318
Total comprehensive income for the year	-	-	-	-	-	-	318	(6,252)	(5,934)
Transactions with owners									
Share 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

Balance at 1 January 2023 *unaudited*	30,746	60,959	187	(124)	293	3,646	159	(14,527)	81,339
Loss for the year	-	-	-	-	-	-	-	(12,977)	(12,977)
Other comprehensive income	-	-	-	-	-	-	(136)	-	(136)
Total comprehensive income for the year	-	-	-	-	-	-	(136)	(12,977)	(13,113)
Transactions with owners									
Share-based payment charge	-	-	-	-	-	-	-	462	462
Dividends paid	-	-	-	-	-	-	-	(1,289)	(1,289)
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 year ended 31 December

	Note	**2023 £000** *unaudited*	2022 £000 *audited*
Cash flow from operating activities			
Net cash from operating activities	*10*	8,202	5,014
Cash flow from investing activities			
Acquisition of property, plant and equipment		(2,092)	(1,645)
Acquisition of intangible assets		(121)	(212)
Proceeds from sale of property, plant and equipment		135	65
Net cash used in investing activities		(2,078)	(1,792)
Cash flows from financing activities			
Repayment of lease liabilities		(1,818)	(1,673)
Interest on lease liabilities		(221)	(227)
Other interest		(1,567)	(925)
Proceeds from sale of shares held by the EBT		-	172
Dividends paid	*6*	(1,289)	(1,228)
Net cash used in financing activities		(4,895)	(3,881)
Net change in cash and cash equivalents		1,229	(659)
Cash and cash equivalents at start of year		3,972	4,562
Exchange differences on cash and cash equivalents		(17)	69
Cash and cash equivalents at end of year		5,184	3,972

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings £000	Short-term borrowings £000	Lease liabilities £000	**Total £000**
At 1 January 2022 *audited*	19,927	-	7,147	**27,074**
Cash flows:				
Repayment	-	-	(1,673)	**(1,673)**
Other movements	40	-	-	**40**
Non cash:				
Additions	-	-	1,369	**1,369**
Reclassification of liabilities	(19,967)	19,967	-	**-**
Other lease movements	-	-	(190)	**(190)**
Foreign exchange difference	-	-	60	**60**
At 31 December 2022	-	19,967	6,713	**26,680**

At 1 January 2023 *unaudited*		19,967	6,713	**26,680**
Cash flows:				
Repayment	-	-	(1,819)	**(1,819)**
Other movements		(52)	-	**(52)**
Non cash:				
Additions	-	-	1,068	**1,068**
Disposals	-	-	(425)	**(425)**
Reclassification of liabilities	19,915	(19,915)	-	**-**
Other lease movements	-	-	-	**-**
Foreign exchange difference	-	-	(21)	**(21)**
At 31 December 2023	19,915	-	5,516	**25,431**

Other lease movements are adjustments for the reduction in value of the lease liabilities following either the exercise of an early termination clause or an agreement with the landlord.

Notes to the preliminary statement

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, Bollin Walk, Wilmslow, SK9 1DP. The registered number is 09010518.

Basis of preparation

These condensed unaudited consolidated financial statements have been prepared in accordance with the accounting policies set out in the annual report for the year ended 31 December 2022 except for new standards adopted for the year.

While the financial information included in this preliminary announcement has been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, this announcement does not in itself contain sufficient information to comply with UK-adopted international accounting standards.

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements for the years ended 31 December 2023 or 2022 as defined in section 435 of the Companies Act 2006 (CA 2006). The financial information for the year ended 31 December 2023 has been extracted from the Group's unaudited financial statements. Statutory financial statements for 2022 have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

2. Segment reporting

During 2023 , Management reviews the operations of the business based on three geographical segments – Great Britain, Ireland and Benelux:

Great Britain:
Supply of both hydraulic and pneumatic consumables, along with the delivery of specialist engineering solutions, services and systems. We operate through a network of distributors and resellers as well as working directly with a broad range of original equipment manufacturers across all industry sectors

Ireland:
Supply of specialist technical hydraulic components and systems predominantly into original equipment manufacturers and end-user channels to all industry sectors and supported by supply agreements direct to a broad range of manufacturer brands.

Benelux:
Supply of bespoke hydraulic and pneumatic component and systems to manufacturers of specialised industrial and mobile hydraulic original equipment manufacturers and a wide range of industrial end users.

In previous periods management reviewed the operation of the business based on three segments – Flowtech, Fluidpower Group Solutions and Fluidpower Group Services. This change was implemented to better reflect the management structure of the Group and decision making going forward. 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 are as follows:

For the year ended 31 December 2023 *unaudited*	**Great Britain £000**	**Benelux £000**	**Ireland £000**	**Inter-segmental transactions £000**	**Central costs £000**	**Total continuing operations £000**
Income statement - continuing operations:						
Revenue from external customers	79,512	10,583	22,000	-	-	**112,095**
Inter-segment revenue	3,141	652	585	(4,378)	-	**-**
Total revenue	82,653	11,235	22,585	(4,378)	-	**112,095**
Underlying operating result (*)	7,200	1,585	2,506	-	(5,302)	**5,989**
Net financing costs	(172)	(8)	(30)	-	(1,525)	**(1,735)**
Underlying segment result	7,028	1,577	2,476	-	(6,827)	**4,254**
Separately disclosed items	(13,925)	(98)	(588)	-	(1,745)	**(16,356)**
Profit/(loss) before tax	(6,898)	1,479	1,888	-	(8,571)	**(12,102)**
Specific disclosure items						
Depreciation and impairment on owned plant, property and equipment	1,208	71	83	-	1	**1,363**
Depreciation on right of use assets	1,065	262	344	-	139	**1,810**
Impairment of right of use assets	-	-	456	-	-	**456**
Impairment of goodwill	13,026	-	-	-	-	**13,026**
Impairment of acquired intangibles	-	-	-	-	-	**-**
Amortisation	900	98	118	-	-	**1,116**
Reconciliation of underlying operating result						
Underlying operating result (*)	7,200	1,585	2,506	-	(5,302)	**5,989**
Separately disclosed items	(13,925)	(98)	(588)	-	(1,745)	**(16,356)**
Operating (loss)/profit	(6,725)	1,487	1,918	-	(7,047)	**(10,367)**

(*****) Underlying operating result is continuing operations’ operating profit before separately disclosed items detailed later in this note.

For the year ended 31 December 2022 (re-stated) *audited*	Great Britain £000	Benelux £000	Island of Ireland £000	Inter-segmental transactions £000	Central costs £000	Total continuing operations £000
Income statement - continuing operations:						
Revenue from external customers	84,724	10,378	19,664		-	114,766
Inter-segment revenue	2,349	746	488	(3,583)		-
Total revenue	87,073	11,124	20,152	(3,583)		114,766
Underlying operating result (*)	9,801	1,349	1,946		(4,510)	8,586
Net financing costs	(176)	(16)	(22)	-	(978)	(1,192)
Underlying segment result	9,626	1,332	1,924	-	(5,488)	7,394
Separately disclosed items	(11,748)	(98)	(508)		(612)	(12,966)
Profit/(loss) before tax	(2,124)	1,234	1,416	-	(6,100)	(5,572)
Specific disclosure items						
Depreciation and impairment on owned plant, property and equipment	1,067	64	72		2	1,205
Depreciation on right of use assets	981	267	228	-	194	1,670
Impairment of goodwill	9,898	-	174	-	-	10,072
Impairment of acquired intangibles	-	-	168	-	-	168
Amortisation	784	98	155		-	1,037
Reconciliation of underlying operating result						
Underlying operating result (*)	9,801	1,349	1,946	-	(4,510)	8,586
Separately disclosed items	(11,748)	(98)	(508)		(612)	(12,966)
Operating profit/(loss)	(1,947)	1,251	1,438	-	(5,122)	(4,380)

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

	2023 £000 *unaudited*	2022 £000 *audited*
Separately disclosed items		
Separately disclosed items within administration expenses:		
- Amortisation of acquired intangibles	906	943
- Impairment of acquired intangibles	-	168
- Impairment of goodwill	13,026	10,072
- Impairment of right of use asset	456	-
- Share-based payment costs	462	372
- Release of lease liability of property closed in FY23	(412)	-
- Restructuring	1,919	1,411
Total separately disclosed items	16,356	12,966

Acquisition costs relate to stamp duty, due diligence, legal fees, finance fees and other professional costs incurred in the acquisition of businesses.

Share-based payment costs relate to charges made in accordance with IFRS 2 'Share-based payment' following the issue of share options to employees.

Restructuring costs relate to restructuring activities of an operational nature following acquisition of business units and other restructuring activities in established businesses. In 2023 restructuring costs included £841K relating to the exit of members of the previous leadership team and £197K related to the decommissioning of the distribution centre. Also included is a credit of £412k which relates to the write off of a lease for a property closed during the year, the corresponding asset was impaired during FY22.

3. Geographical and category analysis of revenue

The Group operates primarily in the UK, The Netherlands, Belgium and the Ireland. Revenue generated from distribution of hydraulic and pneumatic consumables, bespoke manufacture, commissioning and installation of equipment are categorised as sale of goods. Income from on-site services and revenue arising from contracts is disclosed separately.

31 December 2023 *unaudited*	Sale of goods £000	Contracts £000	On-site services £000	Total revenue £000	Non-current assets £000
United Kingdom	83,178	3,041	1,087	87,306	64,979
Europe	23,148	-	-	23,148	3,749
Rest of the World	1,641	-	-	1,641	-
Total	**107,967**	**3,041**	**1,087**	**112,095**	**68,728**

31 December 2022 *audited*	Sale of goods £000	Contracts £000	On-site services £000	Total revenue £000	Non-current assets £000
United Kingdom	87,326	2,176	1,289	90,791	72,914
Europe	21,136	-	-	21,136	4,492
Rest of the World	2,839	-	-	2,839	-
Total	111,301	2,176	1,289	114,766	77,406

No customers of the Group account for 10% or more of the Group's revenue for either of the years ended 31 December 2023 or 2023. Non-current assets are allocated based on their physical location. Revenue recognised at a point in time was £109,953k (2022: £113,207k) and revenue recognised over time was £2,142k (2022: £1,559K).

Some contract works begun during the year were still in progress at the end of the year. For 2023, revenue includes £174K (2022: £580k) included in the contract liability balance at the beginning of the reporting period.

Contract balances	**31 December 2023 £000** *unaudited*	31 December 2022 £000 *audited*	1 January 2022 £000
Trade receivables	**946**	1,216	253
Advances received for contract works	**-**	174	193
Deferred service revenue	**-**	-	495
Total contract liabilities	**946**	174	688

4. Operating loss/profit

The following items have been included in arriving at the operating loss/profit for continuing operations:

	2023 **£000** *unaudited*	2022 £000 *audited*
Depreciation of property, plant and equipment under right-of-use assets	1,810	1,670
Depreciation and impairment of tangible assets	1,363	1,205
Amortisation of intangible assets – website	210	94
Amortisation of intangible assets – customer relationships and brands	906	943
Impairment of intangible assets – customer relationships and brands	-	168
Impairment of goodwill (note 2)	13,026	10,072
Impairment of right of use asset	456	-
Impairment loss/(gain) on trade receivables and prepayments	10	29
Loss on foreign currency transactions	(9)	23
Repairs and maintenance expenditure on plant and equipment	292	113

Services provided by the Group's Auditor	**2023** **£000** *unaudited*	2022 £000 *audited*
Audit of the statutory consolidated and Company financial statements of Flowtech Fluidpower plc	95	78
Amounts receivable by the Company's Auditor and its associates in respect of: Audit of financial statements of subsidiaries of the Company	226	182

No other services were provided to the Company and its subsidiaries by the Group's auditor. Services are provided by other professional advisers as deemed appropriate by the Board.

5. Taxation

Recognised in the income statement

Continuing operations:	**2023** **£000** *unaudited*	2022 £000 *audited*
Current tax expense		
UK Corporation tax	146	734
Overseas tax	292	185
Adjustment in respect of prior periods	184	9
Current tax expense	622	928
Deferred tax		
Origination and reversal of temporary differences	49	21
Adjustment in respect of prior periods	217	(183)
Change in tax rate	(13)	(86)
Deferred tax (credit)/charge	253	(248)
Total tax charge - continuing operations	875	680

Reconciliation of effective tax rate	**2023** **£000** *unaudited*	2022 £000 *audited*
Loss profit for the year	(12,977)	(6252)
Total tax (expense)	(875)	(680)
Loss excluding taxation	(12,102)	(5,572)
Tax using the UK corporation tax rate of 23.5% (2022: 19.00%)	(2,846)	(1,058)
Deferred tax movements not recognised	-	(1)
Impact of change in tax rate on deferred tax balances	1	(86)
Amounts not deductible	3,412	2,045
Adjustment in respect of prior periods	401	(174)
Other adjustments	37	(60)
Other tax reliefs and transfers	(130)	14
Total tax expense in the income statement - continuing operations	875	680

Change in corporation tax rate.
An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax position for the Group as at 31 December 2023 has been calculated based on this rate.

6. Dividends

	2023 **£000** *unaudited*	2022 £000 *audited*
Final dividend of 2.1p (2022: 2.0p) per share	1,289	1,228
Total dividends	1,289	1,228

The final dividend will be paid, subject to shareholder approval at the Annual General Meeting on 19 July 2024 to Members on the Register as at 21 June 2024. The ex-dividend date is 20 June 2024.

7. 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 during the year.

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 year. For diluted loss per share the weighted average number of ordinary shares in issue is not adjusted since its impact would be anti-dilutive.

	Year ended 31 December 2023 *unaudited*			Year ended 31 December 2022 *audited*		
	Loss after tax £000	Weighted average number of shares	Loss per share Pence	Profit after tax £000	Weighted average number of shares	Earnings per share Pence
Basic earnings per share						
Continuing operations	(12,977)	61,493	(21.10p)	(6,252)	61,493	(10.17p)

	2023 **£000** *unaudited*	2022 £000 *audited*
Weighted average number of ordinary shares for basic and diluted earnings per share	61,493	61,493
Impact of share options	97	277
Weighted average number of ordinary shares for diluted earnings per share	61,590	61,894

8. Goodwill

	2023 **£000** *unaudited*	2022 £000 *audited*
Cost		
Balance at 1 January	63,164	63,164
Balance at 31 December	63,164	63,164
Impairment		
At 1 January	10,072	-
Impairment charge	13,026	10,072
At 31 December	23,098	10,072
Carrying amount at 31 December	40,066	63,164

Background

Goodwill has been allocated for impairment testing purposes to 10 cash-generating units ("CGU") across the 3 geographical segments. These CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The carrying amounts of goodwill allocated now stands as at 31 December 2023 are:

Cash generating unit	**£000** *unaudited*
FTUK	29,220
Primary Systems	546
HTL	3,938
HES	1,204
Hydroflex-Hydraulics Oud	2,050
Flowtechnology Benelux BV	1,015
Nelson Hi-Power	1,869
Derek Lane	224
Orange County	-
Hi-Power Transport	-
Total	**40,066**

Impairment tests
The carrying amount of each CGU was determined by calculating the sum of the carrying amounts of all intangible assets (including goodwill) and tangible assets attributable to that unit. These were then compared with the value in use calculations for each CGU based on discounted cash flows of future period forecasts. Management prepared forecasts for each CGU for a five year period and all forecasts have been approved by the Board.

Cash flows beyond the period forecast by management for each CGU were extrapolated at an expected long-term growth rate of 2%. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates.

Goodwill impairment charges in 2023
In total an impairment charge of £13,482 has been taken in 2023, of which £13,026k was taken against Goodwill and £456k was taken against right of use assets. The split of impairment charge by CGU and asset is shown below:

- FTUK – £12,821k (Goodwill)
- Primary Systems - £205k (Goodwill)
- Hi-Power Transport - £456k (Right of Use Assets)

FTUK
An impairment charge of £12,821k has been taken leaving a balance of goodwill of £29,220k. As with other CGUs the value in use calculation is sensitive to a number of assumptions. In arriving at the impairment charge the forecasts assumed a pre-tax discount rate of 17.5% (2022:13.1%) and revenue growth rates of 11% in 2024, 21% in 2025, 4% in 2026 and 2027 and 2% in 2028. The calculation is extremely sensitive to any movement in these assumptions. With regards to discount rates a 1% reduction would lead to a £5.8m increase in the carrying value, whilst a 1% increase leads to a £4.9m reduction in the carrying value. With regards to movements in revenue growth assumptions, the impact of a 1% movement is approximately £1.8m. Movements in revenue and discount rates are considered the factors to which the value in use calculation is most sensitive.

Following the appointment of Mike England as CEO in April 2023 and the subsequent material changes made to the senior management team, we have identified a significant number of opportunities to improve the profitability of this business; we believe a combination of returning to do certain basic things brilliantly and growth opportunities we have identified will lead to a material improvement in profitability. We would hope that discount rates return to more traditional, i.e. lower, levels.

Primary Systems
An impairment charge of £205k has been taken leaving a balance of goodwill of £546k. As with other CGUs the value in use calculation is sensitive to a number of assumptions. In arriving at the impairment charge the forecasts assumed a pre-tax discount rate of 16.2% (2022:13.78%) and revenue growth rates of 5% in 2024, 13% in 2025, 4% in 2026 and 2027 and 2% in 2028. The calculation is extremely sensitive to any movement in these assumptions. It should be noted that each 1% movement in the discount rate has an impact of approximately £0.4m on the calculation and each 1% movement in revenue an impact of approximately £0.1m. Movements in revenue and discount rates are considered the factors to which the value in use calculation is most sensitive.

Hi-Power Transport
An impairment charge of £456k has been taken to eliminate the carrying value of right of use assets.

Key assumptions used in value in use calculations
The Group has determined that the recoverable amount calculations are most sensitive to changes in revenue growth rates and discount rates. The growth rates and gross margins assumed in the calculations are consistent with recent historic trends and approved budget level, and where appropriate, these are adjusted for expected changes.

Discount rates have increased substantially over prior year due to increase in cost of borrowing and risk-free rates. This has had a significant impact on the VIU calculations for all CGUs and was a key factor in the need to impair.

Sensitivity to changes in key assumptions
The calculations to assess the value in use of each CGU are naturally based on a series of assumptions; of particular note are those relating to revenue and discount rates. The calculations are obviously sensitive to deviations, in either direction, to these assumptions; the comments below seek to provide some analysis and commentary around the most sensitive areas.

9. Other intangible assets

2023 -unaudited *2022-audited*	Acquired Customer relationships		Acquired Brands		Asset under construction		Website		Total	
	2023 £000	**2022 £000**	**2023 £000**	**2022 £000**	**2023 £000**	**2022 £000**	**2023 £000**	**2022 £000**	**2023 £000**	**2022 £000**
Balance at 1 January	9,371	9,371	1,173	1,173	-	761	973	-	**11,517**	**11,305**
Transfer between asset categories	-	-	-	-	-	(761)	-	761	**-**	**-**
Additions	-	-	-	-	-	-	121	212	**121**	**212**
Balance at 31 December	9,371	9,371	1,173	1,173	-	-	1,094	973	**11,638**	**11,517**
Amortisation and impairment										
Balance at 1 January	6,726	5,657	1,173	1,131	-	-	94	-	**7,993**	**6,788**
Amortisation	906	901	-	42	-	-	210	94	**1,116**	**1,037**
Impairment	-	168	-	-	-	-	-	-	**-**	**168**
Balance at 31 December	7,632	6,726	1,173	1,173	-	-	304	94	**9,109**	7,993
Carrying amount at 31 December	1,739	2,645	-	-	-	-	790	879	**2,529**	3,523

The impairment charge in 2022 relates to the intangible assets associated with the Hi-Power Transport business. In 2023 there is no impairment charge on other intangible assets. Amortisation is charged to administration costs in the Consolidated Income Statement. The amortisation of customer relationships and brands of £906K (2022; £943k) is a separately disclosed item and is referred to as the amortisation of acquired intangibles.

10. Net cash from operating activities

	2023 **£000** *unaudited*	2022 £000 *audited*
Reconciliation of (loss)/profit before taxation to net cash flows from operations		
Loss from continuing operations before tax	(12,102)	(5,572)
Depreciation and impairment of property, plant and equipment	1,363	1,205
Depreciation on right-of-use assets (IFRS 16)	1,810	1,670
Impairment of right-of-use assets (IFRS 16)	456	388
Write off of right-of-use liability (IFRS 16)	(387)	
Finance costs	1,737	1,192
Loss on sale of plant and equipment	1	57
Other movements	-	-
Amortisation of intangible assets	1,116	1,037
Impairment of intangible assets	-	168
Impairment of goodwill (note 8)	13,026	10,072
Cash settled share options	-	(42)
Equity-settled share-based payment charge	462	372
Exchange differences on non-cash balances	(15)	65
Operating cash inflow before changes in working capital and provisions	7,467	10,612
Change in trade and other receivables	347	(2,945)
Change in stocks	(619)	(738)
Change in trade and other payables	2,086	(1,702)
Change in provisions	15	7
Cash generated from operations	9,296	5,234
Tax paid	(1,094)	(220)
Net cash generated/(used) from operating activities	8,202	5,014

About Flowtech Fluidpower plc

Founded as Flowtech in 1983, we provide 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. We operate across three regions in Great Britain (70%), Ireland (20%), and The Benelux (10%) as well as serving customers around the world. Flowtech joined the AIM market in 2014.

OUR PURPOSE |	**We provide power, motion and control products, systems and solutions, keeping industry moving and creating a more sustainable world**
OUR MISSION |	**To provide products and solutions to help our customers achieve their goals, saving them time and money and operating more safely and sustainably**
OUR VISION |	**To be the trusted adviser and solutions partner in a world of motion**

The value we create for our customers

Flowtech works across all industry sectors serving the needs of customers who are designing, building, maintaining and improving industrial plant, equipment and operations. We add value by being a technical specialist and trusted adviser to Maintenance, Repair & Operations (MRO) customers, Original Equipment Manufacturers (OEMs) and through our long-standing Distributor Partner channels. We provide **essential technical products** combined with a **broad range of specialist engineering services** across the world of **Power, Motion & Control.**

Easy access to the widest Technical Product range

We stock over 75,000 Power, Motion & Control products including hydraulic and pneumatic consumables and trade through our channels including E-commerce Websites, Central Sales, Technical and Customer Support teams and through our localised Engineering Centres across GB, Ireland and Benelux. We partner and distribute for the world's largest power, motion and control brands and have access to over 0.5 million technical products through over 2,000 leading suppliers. We provide a market leading quality own brand offering complementing our branded supplier portfolio.

Market Leading Distributor Partner Programme

We operate a leading Distributor Partners Programme supplying our wide range of Products and Engineering Services through our strategic network of Distributors and Service Providers giving them the support they need to service their end-customers. This is enabled by our tried and tested white label catalogue, E-commerce and fulfilment business model.

Engineered Systems and Solutions

We supply specialist technical Power, Motion & Control components & systems with our core being centred around pneumatics and hydraulic industrial and mobile applications. This includes bespoke design, manufacturing, commissioning, installation, and servicing of systems to manufacturers of specialised industrial and mobile OEMs, and additionally a wide range of industrial end users. From a simple technical system build such as a Hydraulic Power Pack to the repair of pumps, values and cylinders through to site-based diagnostics and services to fully integrated turn-key solutions, we have a strong engineering pedigree at our core making us the trusted adviser and solutions partner for our customers.

Our six engines towards mid-teens operating profit percentage

Today, we are a strong market leader in a highly fragmented £30bn European market. We have a clear strategy and plan to accelerate value creation for our stakeholders. We are transforming our Company and have plenty of room for improvement and growth

1. Customer growth
2. Commercial excellence
3. Range expansion
4. Own brand
5. Operate for less
6. Building talent and capabilities.

To read more about the Group please visit: www.flowtechfluidpower.com

The value we bring.

We've built a strong brand reputation, knowledge and experience over more than 40 years of servicing customers and are now the largest supplier of fluid power products, systems and solutions across the UK, Ireland and Benelux.

Five core elements enabling **a world in motion**

Unrivalled expertise

- 560 highly skilled and knowledgeable people
- World class application specialists providing breath of knowledge
- Providing a vast range of technical products and specialist engineering solutions
- Over 40 years of power, motion and control expertise

Product availability and brand access

- Delivering superior availability and service levels to our customers
- Access to trusted global brands and competitive pricing
- Providing an essential technical product portfolio
- 750,000 SKUs and over £30m inventory available for next day delivery

Deep sectoral knowledge

- Possessing deep sectoral experience
- Demonstrating great understanding and knowledge within our sales and engineering community
- Delivering innovation in the world of power, motion and control
- Working across a range of diverse sectors including off highway and agriculture, food and beverage, automation and systems, and metals and heavy engineering

Design and engineering expertise and inhouse capabilities

- Unrivalled end to end high quality technical engineering, design, fabrication and installation capability
- Cradle to grave delivery of bespoke engineered systems
- Unmatched range of engineered systems and solutions
- From a configurable system to full turn-key solutions

Aftermarket services and support packages

Providing a comprehensive suite of aftermarket services, including:

- Parts kitting/assembly
- Product modification
- Replenishment service
- Testing, calibration and commissioning
- Diagnostic services
- Repair services

We work across virtually all industry sectors, serving the needs of our customers who are designing, building, maintaining and improving industrial plant, equipment and operations.

	Technical Products	Configurable Systems	Tailored Solutions
Solutions	• Hydraulic Components • Pneumatic Components • Process & Filtration Equipment • Pumps & Valves • Instrumentation, Test & Measurement • Industrial and General Maintenance	• Hydraulic Power Units • Hydraulic Hose Assembly • Lubrication Systems • Customised Cylinders • Fueling Technology • Product Modification	• Inhouse design and installation • Custom-made Engineered Solutions • Filtration/Purification Systems • Turnkey Hydraulic Systems
Services	• Product or Part Kitting • Dispensing Solutions	• Test & Calibration	• Mechanical & Electrical Repair Services • Machining & Fabrication Services • Onsite Diagnostic, Maintenance & Repair

Your One Stop Shop for all your Power, Motion and Control needs