FLOWTECH
a world of motion

Annual Report 2023

Annual Report and Accounts for the year end December 2023

Contents.

We focus on doing three things brilliantly for our customers.

1. Easy access to the widest Technical Product range

We stock over 75,000 power, motion & control products including hydraulic and pneumatic products and trade through our channels including e-commerce websites, central sales, technical and customer support teams and through our localised engineering solutions 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 500,000 technical products via more than 2,000 leading suppliers. We provide a market leading quality own brand offering complementing our branded supplier portfolio.

2. 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.

3. Market Leading Distributor Partner Programme

We operate a leading distributor partners programme supplying our wide range of products, engineered systems & solutions 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, ecommerce and fulfilment business model.

We deliver this through our highly skilled people and we understand how we can simplify and scale our business to create stakeholder value for all.

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 advisor and solutions partner in a world of motion.

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. We've defined six simple growth engines each with a broad range of opportunities for value creation across the P&L and Statement of Financial Position.

- Customer growth
- Own brand
- Commercial excellence
- Operate for less
- Range expansion
- Building talent and capability

FY23 financial highlights.

Revenue
£112.1m

Operating loss
£(10.4)m
(after separately disclosed items)

Gross profit % increased
36.8%

Net cash generated from operating activities
£8.2m

Underlying EBITDA*
£9.4m
(2022: £11.6m)

Net debt**
£14.7m

Underlying operating profit*
£6.0m
(2022: £8.6m)

Final dividend
2.2p
(2022: 2.1p)

*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.
** 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 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

Financial highlights	FY2023	FY2022
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	2.2p	2.1p

Revenue split Great Britain 71%, Island of Ireland (Ireland) 20%, Benelux 9%

Chairman's statement.

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:

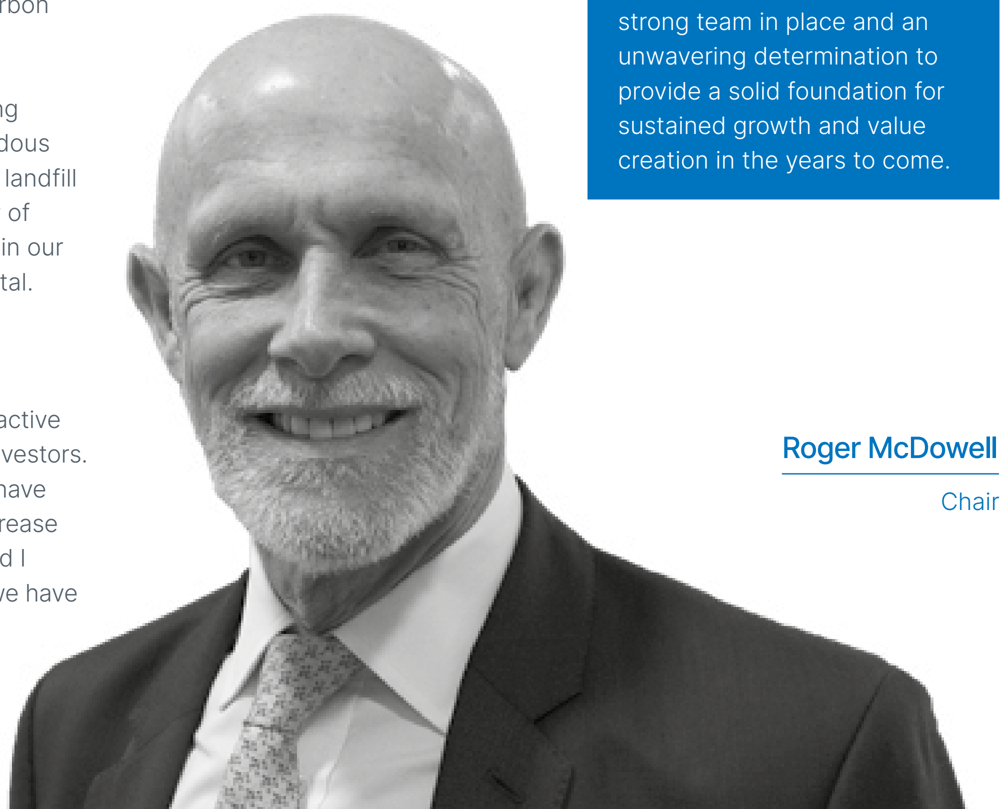
- Implemented a new senior leadership team of which half of the team are female. At the next tier, we've also increased our female leadership population by 50%.
- Increased focus and leadership attention on the health, safety and wellbeing of our people, customers, suppliers and stakeholders. We have had zero Reporting of Injuries, Diseases and Dangerous Occurrences (RIDDOR) 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.

Roger McDowell
Chair

The value we bring.

We have 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**

In 2023 we started to bring together all areas of our business to build out our single value proposition.

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
- 75,000 SKUs and over £30m in inventory

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.

Our unique value proposition provides our customers with the essential technical products they need combined with an unrivalled range of specialist engineered systems & solutions across the world of power, motion & control.

	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

"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 more exciting earnings"

Our CEO review.

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 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 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 and bringing in new 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.

Digital and data enablement is critical to our future success. 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 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 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.

Mike England
CEO

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.

x2
market growth rate

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.

£30Bn
market opportunity

A — Customer First

Our customer 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.

B — 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 branded' 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 to launch in Q3 2024.

C

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.

	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 growth	Buying BETTER and selling WELL		
		Improving receivable and debtor days		
		Optimizing 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		
		Optimize 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

- All accidents
- Employee engagement
- Customer satisifaction
- % carbon emissions
- % of women in leadership

Strategic 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.

	Key deliverables	Growth engines
2026	Steady state Continual improvement Offer expansion Systems upgrades Inorganic expansion*	1 2 3 4 5 6
2025	Digital ramp up Selling effectiveness Own brand power up Offer expansion Systems upgrades	1 2 3 4 5 6
2024	One Flowtech Selling effectiveness Digital re-platform Data-integration Increase throughput	1 2 3 4 5 6
2023	Performance Plan New leadership Operating model Launch strategy	1 2 3 4 5 6

*subject to EBITDA/Debt performance

Case Studies.

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.

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.

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 engineering solutions.

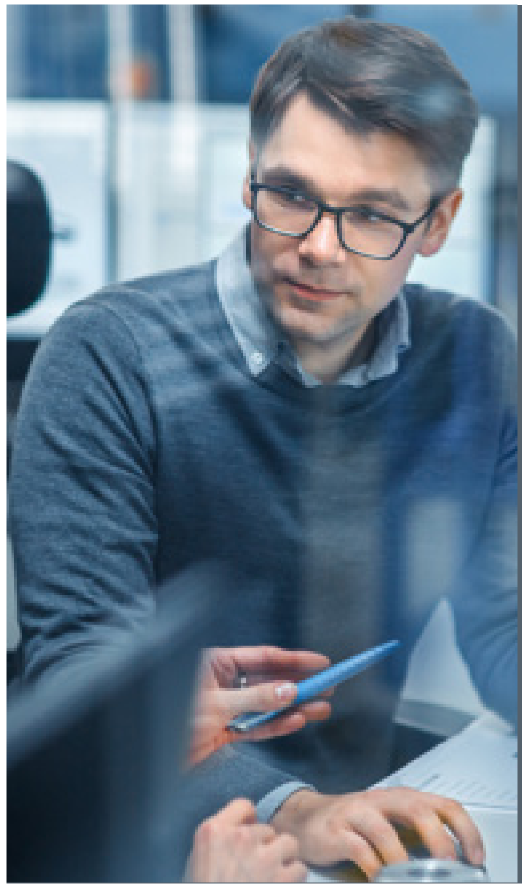
In 2024 we will be focusing on:

- 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

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 value being left off the table.



Our Vision: To be the trusted advisor and solutions partner in a world of motion.

Flowtech works across all industry sectors serving the needs of customers who are designing, building, maintaining and improving industrial plant, equipment and operations.

Providing **essential technical products** combined with a **broad range of specialist engineering services** across the world of **power, motion and control** for over 40 years.

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 island of 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:

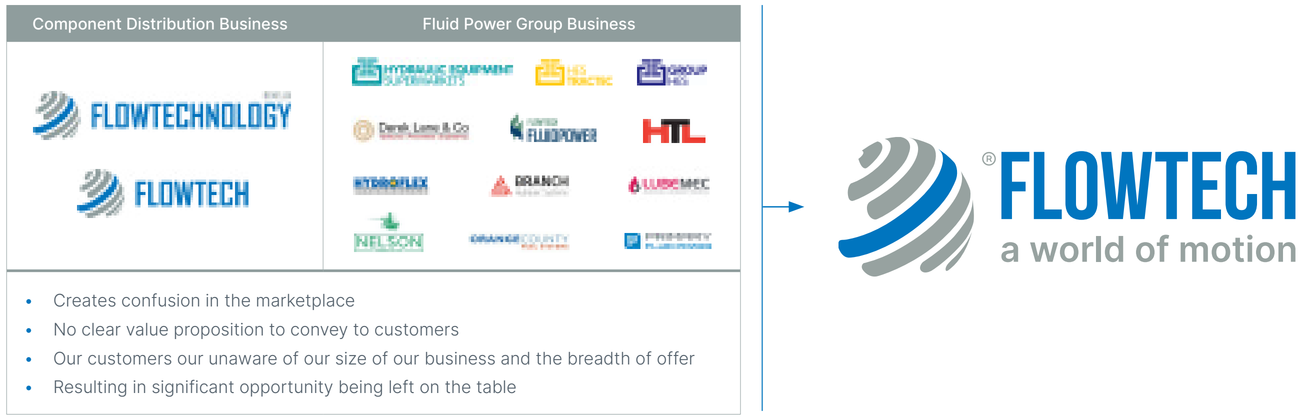
- Easy access to the widest technical product range
- Expert engineered systems and solutions
- A market leading distributor partner programme

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.

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 approach, aligning consistent processes and procedures and to simplification and alignment of our human resource activities.

Business Integration Plan Implementated in Q1 2024

Currently we have a fragmented brand and value proposition, with 17 different brands, existing across two different businesses.



One FlowTech, **one** integrated business, **one** value proposition to our customers.

Non-Financial and Sustainability Information Statement.

This is our fourth year reporting on our Environmental, Social and Governance (ESG) performance. We have established a baseline which we will use to set our strategy moving forward, with an ambition to set clear targets for the business.

We are commencing work with external specialists on a full TCFD disclosure to be issued with our FY24 annual report. Based upon the work summarised in this report and following the foundational work undertaken in the last two years, we expect to provide a full climate related financial disclosure, addressing at least six of the current eleven disclosure areas. The internal restructuring of the company during 2023 provides an optimal point for the revision and alignment of climate governance, strategy and risk and opportunity management. This will support our ability to manage our climate risk and opportunity and build upon the work we have undertaken since 2022. Our climate metrics are already evolved and the company expects to set a Net Zero emissions target by the end of 2024 as part of its wider climate strategy.

We have detailed below the steps we have taken within the four TCFD pillars, under the headings of Governance, Strategy, Risk Management and Metrics and Targets. We are still early on in this journey and acknowledge that we need to strengthen our approach in this area. Our climate related risk management approach is detailed in the risk management section of this report on page 48. Our current position in other areas is detailed below and is a focus for us in 2024 and beyond.

	What we have done	What is planned
Governance	Current governance of our climate metrics, reporting and performance is led at an operational level by our HR and H&S Director who reports to the board and has full responsibility for our ESG strategy supported by key functions within the Company.	We will be reviewing our approach to governance in this area in 2024 to ensure we have the right measures in place to support the delivery of our ESG strategy
Strategy	We have established a baseline which we will use to set our strategy moving forward.	Using the baseline data we have gathered we will launch our ESG Strategy in 2024
Risk Management	In line with our Group Risk Management approach, we follow a simple risk management principle to identify, analyse & assess, respond & control and monitor & review our climate-related risks. More details can be found in our Risk Management section on pages 48-51.	We will continue to monitor climate related risks in line with our Group Risk Management approach.
Metrics and Targets	Our current metrics are disclosed in this report and are published annually with annual initiatives and improvements. To date we have captured relevant data that we can use to baseline our performance.	In 2024, we will set out a clear set of KPIs in line with our ESG strategy. These will be reported on annually to clearly demonstrate the progress we have made.

Our Sustainability Report examines our Environmental and Social aspects, with Governance being covered later in this report. This section focuses on four core areas: Our Environment, Our People, Health, Safety & Wellbeing and Our Communities.

Our Environment

As a Group we strive to be vigilant and mindful of our operations and their potential impact on the environment. We encourage all our sites to implement systems that have positive impacts on our carbon footprint, sustainable recycling, and appropriate waste removal.

2023 Achievements at a glance:

- Reduction in our like for like carbon emission rates of 23%
- Achieved our first year of measuring waste, recycling and reduction.
- Recycled 53,000kg of non-hazardous waste.
- Completed our new Talent Acceleration Programme (TAP) with an ESG focused project.
- Achieved a 50/50 male to female ratio in our Group Leadership Team.
- Invested in young talent, in 2023 we increased number of apprentices by 11 in our training programmes.
- Increased H&S training provision (IOSH & MHFA).
- Achieved Safe Contractor.

As a norm we:

- Use low energy, motion-sensor and LED lighting within warehouses and most of our offices
- Recycle as much as possible
- Use recycling bins at most sites and recycle non-re-usable pallets
- Encourage cycle use through local government initiatives in both the UK, ROI, and the Netherlands
- Use FedEx as our main carrier; FedEx are undertaking a "reduce, replace, revolutionise" campaign which plans to significantly improve energy efficiency and reduce emissions in Europe across aircraft, vehicles, and facilities by 2025
- Utilise our Engineering Modification Centre – instead of scrapping products, product life-cycle inspections are performed to assess options to change products, prices and the places items are sold and how products are used and promoted. We believe this serves to prolong product lives and reduce waste.
- Avoid unnecessary paper usage and waste through various eco-friendly schemes such as, Electronic Data Interchange (EDI) for sales ordering and invoicing, SICON Invoicing Sage Software for non-stock invoice approvals, and utilising online signature software for authorisations
- Source packaging from Forest Stewardship Council (FRC) certified sources, utilising reusable, or recyclable packaging materials for the majority of our products
- Use suitable packaging that reduces damage and returns to lower the overall carbon footprint
- Have Electric Vehicle charging points at 90% of our sites.

Company fleet

In 2023 our overall fleet including taxable cars and light commercial vehicles consisted of 143 vehicles. 53% of this fleet are either hybrid or full electric (2022: 49%). Of our taxable car fleet 85% of vehicles are hybrid or full electric (2022: 79%). Of the 10 new taxable cars added to the fleet in 2023 100% of these were hybrid or full electric (2022: 100%). Our fleet management provider advised that having an environmentally conscious fleet with over 50% being hybrid or electric is leading the way towards full carbon reduction.

Delivery efficiency

We continue to enforce a delivery model focused on reporting and reducing the overall emissions and carbon footprint. Fedex remain responsible for 80% of the out bound logistics with a focus on customer satisfaction, on time in full deliveries and creating the most efficient routing system.

Fedex have confirmed that average daily parcel miles for 2023 fell by 24% (78,053) to 250,135. (2022: 328,188) whilst keeping service levels to customer above 97%.

Carbon reporting

We continue to engage with Carbon Responsible to assist in our reporting requirements. Carbon Responsible have produced a report using the GHG (greenhouse gas) Corporate Reporting & Accounting Standard and UK Government Reporting & Conversion methodology and conversion factors. Their report dated 29 February 2024 covers data for 2023 and includes a comparison with 2022.

Our full emissions report covers all the main emissions that are required to be reported under the Streamlined Energy & Carbon Reporting requirements and for which data has been collected. As in the previous years the optional disclosure of Scope 3 impacts has been undertaken as far as practicable to reflect the impact from our core operations.

Team members from across the geographical locations have provided Carbon Responsible with data to help measure the full impact of Scope 1 & 2 emissions and as much Scope 3 impact for which data points were available. This approach is consistent with 2022 and enables us to provide a meaningful comparison year on year and going forward.

The majority of our energy consumption comes from our own offices, premises, and staff. It includes all businesses within the Group. It also includes significant impacts from activities that are not owned by us, but over which we exert financial control. As suggested by Carbon Responsible, going forward we intend to use FY22 as the baseline year for forward targets and revise in line with further improvement in reporting.

The findings are summarised in the table below:

	2023		2022	
	tCO2e	kwh	tCO2e*	kwh
Scope 1 (gas consumption)	452	2,012,554	494	2,291,089
Scope 2 (electricity consumption)	232	995,551	328	1,565,729
Scope 3 (other direct emissions)	2,353	307,218	1,802	545,337
Totals	**3,037**	**3,315,323**	**2,624**	**4,402,155**

Of the 3,037 tCO2e emissions for 2023, 2,700 tCO2e is related to UK sites and 337 tCO2e is related to non-UK sites.

Scope 1 – a 8.5% reduction – the main driver of this reduction is vehicle use, which fell by 23% and can be linked to the move to an electric vehicle fleet. This reduction offsets an increase in stationary fuel emissions of 10.55% linked to emissions of propane consumption, oil burning which were not accounted for in 2022 as well as overall increase in natural gas consumption.

Scope 2 – a 29.26% reduction partially attributable to the closure of our Leicester premises in March 2023, an increase in solar power generation at some sites and the installation of LED lighting at some sites.

Scope 3 – has seen a large increase of 31% and also accounted for 77% of total emissions for the group. Third party vehicle use decreased by 41% relative to 2022 and emissions from freight saw an overall 20% reduction. The reduction could be partially down to the reported fall in revenue but data availability is also a likely contributor. The increase appears to have been largely driven by the first time inclusion of employee commuting, waste and business travel which are not mandatory to report. If we to remove the non-mandatory data from scope 3, and report on a like for like basis our overall tCO2e would be 1,384 for FY23, which is a 23% reduction.

We continue to use revenue and FTE intensity from Scope 1, 2 and 3 emissions, as we think they from the best available intensity measure for our business. **Our intensity metrics for FY23 are as follows:**

	2023	2022
Tonnes CO2e per £100,000 of revenue	2.71	2.28
Tonnes CO2e per FTE	6.22	4.90

Our people.

We continually strive to ensure we invest in our people through a broad range of areas including learning & development, career progression planning, and young talent. Other areas of focus include important areas such as the mental and physical wellbeing of our colleagues and ensuring we have an appropriate and developing reward package.

In 2023, with the arrival of our new CEO, and new group leadership members, we launched and continue to embed our vision, mission, values, and behaviours throughout the business, through regular communications, videos, and group meetings.

As part of our refocused strategic direction, we have undertaken an organisational restructuring, to ensure we are set up in the right way to support our future plans for growth. This initiative aims to streamline our operations, enhance cross-functional collaboration, and position our business to capitalise on emerging opportunities in our industry. While still in progress and due to complete in Q1 2024, this restructuring will fortify our core competencies, foster a more agile and responsive organisational culture, and ultimately drive sustained growth and success in the years ahead.

Our average length of service is 7.8 years and over 150 of our employees have been with us for 10 years+ service. We believe this is a reflection of our commitment to supporting our teams throughout their career, something we are very proud to be able to do.

Manchester PA Awards

We nominated our Executive PA, Karen McKay for three awards at the Manchester PA Awards in the categories of Best Event Award, Excellence Award and the Make A Difference Award. We felt she deserved to be entered for all three awards for her professionalism and excellent PA skills to the Executive and Leadership team. The Award ceremony was held in Old Trafford Cricket Ground in November 2023 and we were thrilled Karen won the most prestigious award of the evening and was crowned "The Manchester PA of the Year 2023".

Employee statistics

Demographics	2023	2022	2021
Number of employees*	582	595	612
Retention**	71%	72%	78%
Length of service ***	7.8yrs	7.9yrs	8.6yrs

* Annual Average
** (1-leavers during 2023/average number of employees)
*** Average number of years served by current employees

Learning and development

Throughout 2023, our employees have attended 722 training activities, which equates to 2,909 hours of training. The majority of the training has been technical training, required for colleagues to do their job role, and compliance training, to meet health and safety or legislative requirements.

Increased H&S training provision (IOSH & MHFA)

IOSH Managing Safely, Leadership, and Mental Health First Aid training uptake increased from previous years to build safer, more knowledgeable teams and leaders.

With the restructure of our business, we now have a dedicated Technical Training Manager based at our Skelmersdale site, who delivers training on our products to colleagues and customers.

Apprenticeships

We strengthened our apprenticeship programme in 2023, recruiting seven new apprentices in a variety of disciplines, including engineering, procurement and finance. Alongside new recruits we also registered 11 current colleagues.

	2023	2022	2021
Apprenticeships started	16	18	5
Apprenticeships completed	2	1	1
Apprenticeships funded (ongoing)	25	23	12

Apprenticeship Levy

During 2023 we have paid £75,327 into the Apprenticeship Levy account and have spent £83,399, this has resulted in us not incurring any expired levy. At the end of 2023 we had a levy pot of £106,057.

The Talent Accelerator Programme

In January 2023 we registered 23 employees on our rising stars course, the Talent Accelerator Programme. We are pleased that 16 delegates successfully completed the programme. The course was delivered over 11 months, which included personality profiles and assessments along with a variety of different training elements, which included:

- Management
- Strategy
- Collaboration
- Presentation skills

The cohort worked in groups to solve three key business areas of focus:

- Inventory reduction
- Gross margin enhancement
- Environmental, Social and Governance

Colleagues that were involved commented:

"I was privileged to have been a part of this excellent course. I look forward to any future progressive courses that may become available."

"We did inventory reduction, and this subject has really made me view our stock in a whole new way. Presentation training has really helped me too."

"Brilliant course, lucky to be part of it."

HR system

We are coming to the end of the Pilot phase for our new HR system and have received positive feedback from everyone involved. We are excited to open this up to the wider business in early 2024, giving our teams more control over their experience.

Health & Safety.

As a Group we are committed to ensuring the safety and health of our colleagues, visitors, and the public, as far as reasonably practical. We fully recognise our statutory duties and take the necessary actions to ensure our compliance with health and safety legislation. Our Chief Executive Officer continues to hold overall responsibility for Health and Safety and chairs the quarterly Health & Safety Steering Group which is attended by key business heads, ensuring that all risks and concerns raised, are dealt with through validated risk assessment, and follow up audits. In 2023, we set about centralising Health and Safety as a Group, ensuring that all compliance was delivered collaboratively, and in line with company aims and objectives.

Health Safety & Wellbeing 2023 achievements summarised

- Published new foundation policies attending to core values.
- Improved scope of culture-focused communication resources.
- Increased central control of support provision.

Policy

In line with our new centralised model of operation, business-wide understanding of the necessity for compliance to legal and ethical best practice has driven the creation of new policy and provision that in cases includes geographic specificity that will continue into 2024.

A new robust Health, Safety, & Wellbeing Policy (version 9) launched to cement the core values of the organisation. This progressed to consider the requirements outside of the UK and promoted the production of further supplemental policies attending to developing a safety workplace.

Support

Increased central control of core obligations including the ordering and monitoring of specialist personal protective equipment, legislation-led work equipment safety assurance, targeted professional health and safety assistance, and bespoke internal audit-based guidance was recognised as fundamental to ensuring we as an organisation set an example of commitment to our employees, our customers and wider stakeholders alike.

Communication

It is recognised cultural excellence has its foundation in effective communication.

In 2023 the Health & Safety function initiated a wide variety of new and improved communication tools aimed at generating a network of reporting and support. To add to the existing CEO-led Health & Safety Steering Group and local on-site meetings, monthly company-wide 'Connect' meetings bring Health & Safety representatives from across the organisation together to share experiences and lessons learnt.

Project Management/Health & Safety cohort meetings give insight in to intended internal physical projects to prevent 'retrofitting' best practice which in turn prevents not only exposure to risk, but unnecessary cost and delay.

Personal and corporate investment into the development of genuine relationships across the organisation have begun to generate a community of insight, compliance and support that combined with the increased commitment to focused health & safety training creates a foundation for excellence in the coming years.

What have we done to improve in 2023?

Launched H&S Policy V9
Created new format policy and managed a robust, verifiable delivery method reaching 100% of colleagues. It states the company's position, provision and focus regarding safe conduct, and organisational roles and responsibilities encapsulates and promotes corporate excellence.

Launched ROI H&S Policy (V9 equivalent)
Developed and delivered a version of the Health & Safety policy that employed Irish legislation and regulations for use within our operations in the Republic of Ireland to enable bespoke attention to detail in safe practice.

Began Dutch H&S Policy development (expected launch Q1 2024)
Employed a Dutch H&S legal professional to apply local statute to V9 of the Health & Safety policy (awaiting completion) following suit from the ROI policy. Launch to be managed as per UK with the addition of on-site policy induction training delivered by our central Health & Safety team.

Created other policies (Drug & Alcohol, Portable Electrical Equipment etc.)
Updating perceptions and requirements of updated risks including applying new amendments to policy including mandatory reactive drug/alcohol testing for MHE accidents.

Wider scope of internal auditing
Performed business sensitive Health & Safety audits across all locations to deliver focused bespoke support and guidance which in turn reduces the timeframe of control of risk threat.

Full control of all specification and ordering of all specialist PPE
Central control of specification and ordering of PPE for whole organisation to improve our ability to protect the workforce with the correct equipment, and monitor spend. Offering an informed supply chain that caters for the task and the user reduces gaps in protection.

Central control of LOLER/PUWER inspection provision

In conjunction with audits to ensure items within the capture of Lifting Operations and Lifting Equipment Regulations, and the Provision of Work Equipment Regulations scope are assessed for suitability for use, safe use and insurance viability.

Employed qualified H&S professional to develop services customer relations
Professional representation focused on delivering best practice H&S to the on-site customer-based operations and improve relationships. The acute nature of risk on an exterior contract was recognised as an area requiring singular attention driven at operational excellence.

Environmental reporting
Materials and volumes of recycling performed by each site are now recorded and delivered monthly to drive an ethic of future sustainability through transparent understanding of the impact of our business and key indicators of the areas for improvement.

Initiated Month Connect meetings with all site H&S representatives
Developed to promote communication and collaboration between all site Health & Safety representatives that opened the channel of collective knowledge and development through lessons learnt. Sharing of data, experiences, and ideas increases the rate of the organisation's progression whilst developing a community of care within Health & Safety leaders.

Initiated Project Management/ Health & Safety cohort meetings
Initiated to prevent 'retrofitting' health and safety considerations to companywide projects, saving time and cost whilst delivering suitable and sufficient safeguards.

Increased site/Health & Safety team communications – 'One Team'
Time and effort invested to improve H&S/workforce relationships and communication increasing cultural progression and support.
The implementation of a new near miss reporting system trialled at our largest location generating unprecedented data and opportunities for improvement.

Increased Health & Safety training provision (IOSH & MHFA)
IOSH Managing Safely, Leadership, and Mental Health First Aid training uptake increased from previous years to build safer, more knowledgeable teams and leaders.

Achieved SafeContractor
Regained previously expired SafeContractor status.

Wellbeing Mental health

We now have 19 mental health first aiders, who are located across our business. Each first aider has completed training with Mental Health First Aid England (MHFA) who teach practical skills to spot potential signs and triggers of mental health concerns in colleagues. The mental health first aiders are there to support all of our colleagues when they need it.
We also encourage colleagues to utilise the Employee Assistance Programme (EAP) that we provide via AXA Health, which is a confidential employee benefit programme that provides 24/7 mental health support, along with additional information, guidance and support with personal problems that might adversely impact their health, well-being, and work performance. AXA also provide access to nurses, pharmacists as well as their LifeManagement™ team. This team is there to support and offer guidance to employees through any concerns and difficulties. Since the cost-of-living crisis started, our colleagues uptake in the AXA services has increased significantly. Our EAP provides up to five counselling sessions. In instances where further support is required, additional counselling sessions may be provided.

Welfare meetings

These were developed during 2023, to further support our colleagues, especially those returning to work after long absences, the aim being to understand the support our colleagues need, the adjustments we may need to make as a good employer, and to enable the return to be managed in a caring and collaborative way, to ensure long-term success at work.

Human rights and modern slavery

The Group does not tolerate bullying or harassment. We are committed to fair employment practices and comply with national legal requirements regarding wages and working hours.

The Company recognises that the respect for human rights is an integral part of its health and safety and social responsibility and that is has a responsibility to take a robust approach to slavery and human trafficking. We understand the requirements of the Modern Slavery Act 2015 and are committed to ensuring that no modern slavery takes place within our organisation.

We are committed to preventing workers from being subjected to modern slavery in our supply chains and within the businesses of our partners and affiliates.

We are committed to continuous improvement in relation to our practices to combat slavery and human trafficking.

Respect for human rights is implicit in our employment practices; the rights of every employee are treated with dignity and consideration.

We do not use child labour, nor do we use forced labour. We make regular supplier visits to ensure our supply chain maintains the same standards of integrity and is free from modern slavery. We will continue to audit supply chains, mitigate risk, monitor, and track progress, and immediately inform our customers if and when a supplier risk is no longer acceptable, and the source of supply has been disengaged.

Maintaining and promoting diversity

It is our Group policy to recruit and promote based on ability and attitude, regardless of gender, sexuality, ethnicity, disability, age, religion or belief, parenting, caring or marital status.

Diversity and inclusion will be a key pillar of our ESG strategy that we will be setting out in 2024.

Promoting a culture of respect and equal opportunity is as important as ensuring the right skills fit our business. In instances where a colleague becomes disabled, where practicable the Group has policies to providing continuing employment and career development where appropriate.

The Group recognises the importance of work-life balance, especially for employees with family commitments. Where the demands of the business allow, flexible working is encouraged.

In 2023 we reinvigorated our Group Leadership Team and we are proud that we have a 50/ 50 ratio of male to female, along with promoting or welcoming a number of women into senior management roles.

Gender pay gap.

Diversity and inclusion is important to us, but we know we have work to do. We are committed to paying colleagues in similar roles fairly; we are determined that where pay differences exist, they are not based on gender. The gender pay gap shows the difference between the average (mean) or typical (median) earnings of men and women. It is important to acknowledge that gender pay differs from "equal pay" which looks at differences between people who carry out the same or comparable work.

This is the second gender pay gap report we have published. It was prepared in accordance with legislation that came into force in April 2017, whereby UK employers, with over 250 employees, must report on the gender pay gap. We have used 5 April 2023 as the snapshot date. Hourly rates include basic pay, allowances and shift premium pay, but not overtime. For these calculations, only the UK-based workforce has been included. Under the requirements of the gender pay gap regulation, only relevant employees have been included. This excludes any employees who for whatever reason did not receive a full months' pay, including sick leave and parental leave.

	Mean (Average) %			Median (Middle) %		
Difference between Men & Women	2023	2022	2021	2023	2022	2021
Gender Pay Gap	19. 06	18.4	22.6	18.75	10.67	16.38
Gender Bonus Gap	66.76	3.7	23.0	8.22	5.62	28.12

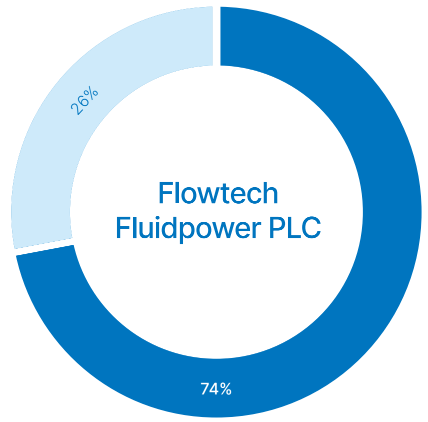
Key findings:

- We operate in an industry that is heavily male dominated. When we break down our employee population, we have 74% males and 26% females. This does influence the gender pay gap results
- Our 2023 gender pay gap remains almost the same as that reported in 2022, although we have seen a slight increase
- General benchmarking of roles has allowed us to align salaries for specific job roles regardless of gender, helping to reduce the gap
- Historically we have had proportionately fewer females working in our more senior roles; it is this which explains the gender pay gap. However, as mentioned previously in this report in 2023 we have reinvigorated our Group Leadership Team and now have a 50/50 split between female and male colleagues and we have appointed a number of females into senior leadership roles across the business
- The figures for the gender bonus gap are based on a limited population of data and the cut off point for data collation is 31 March 2023. A number of bonus payments were made at the end of April 2023 and had these been captured in the data we've reported the gap would have reduced 58.08.

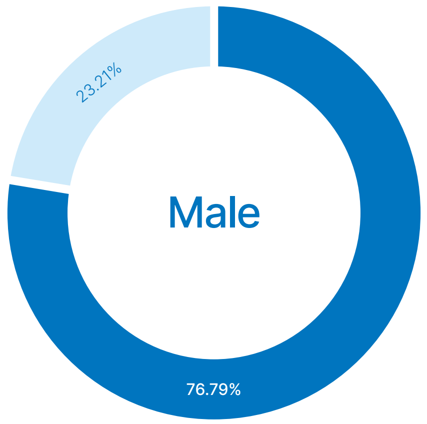
Group breakdown

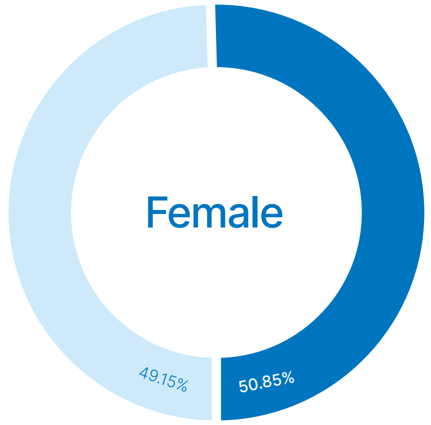
	2023 Male	2023 Female	2022 Male	2022 Female
PLC Board	**83%**	**17%**	83%	17%
Group Leadership Team (formerly Management Board)	**50%**	**50%**	67%	33%
Senior Management	**69%**	**31%**	93%	7%
All other employees	**73%**	**27%**	73%	27%

This table shows the percentage of male and female colleagues at each level of the organisation.

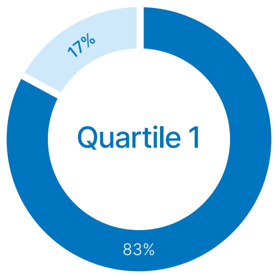


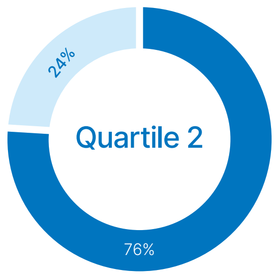
Percentage of men and women receiving a bonus (Group):

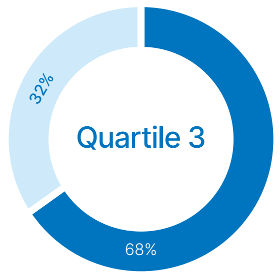


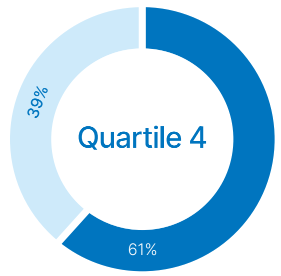


Percentage of men and women in each pay quartile:









Male Female

Corporate Social Responsibility (CSR).

Stakeholder engagement and Section 172 statement

In accordance with Section 172 of the Companies Act 2006 (S172) the Directors, collectively and individually, confirm that during the year ended 31 December 2023, they have acted in good faith and have upheld their duty to promote the success of the Company to the benefit of its members, with consideration to its wider stakeholders.

We are aware of the potential impact that our decisions have on all our stakeholders and take a balanced approach to safeguard their respective interests. We recognise and respect issues which are important to our stakeholders, including our colleagues, customers and suppliers, as well as our shareholders. Our reputation is of paramount importance to us and we always seek to ensure that whatever decisions we take, we do so by maintaining suitable high ethical mindsets, always seeking to treat all our stakeholders with respect and in the same manner we would like to be treated ourselves.

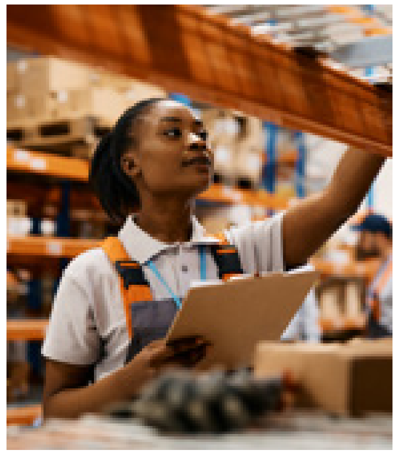
The Board ensures there is always an appropriate balance between the impact any key decision may have on the short as well as the medium- to long-term. It also recognises that certain decisions may be more aligned to the interests of one category of stakeholder over another and this is always taken account of when debating options and ultimately making decisions.

The Board is committed to effective engagement with all stakeholders and takes steps to ensure this mindset is filtered down throughout the business. Whilst our business model delegates certain day-to-day operational decisions to local management, we encourage all involved to adopt the same behaviours by which the PLC Board is measured in their day to day activities. We have a "balanced scorecard" approach to our reward scheme which is designed to flex reward based on a number of behaviours, including those captured within the spirit of the S172 legislation.

Section 172 describes a diverse range of stakeholders whose interests are said to feature in the 'success of the Company'; comments on each of these areas are provided below:

Colleagues

The investment we have made in the engagement surveys across our businesses, combined with the training and career development plans we have put in place,



demonstrates our commitment to provide a positive environment for our colleagues.

We continue to invest on improving support for mental health to our employees, with a team of mental health first aiders and Employee Assistance Programme provided by AXA available to all colleagues. We ensure that each of our sites has at least one trained individual whose role is to be alert to any issues which any of our colleagues may be experiencing.

We are proud of the fact that our work in this area began some years ago and that it is an area we continue to focus on.

Of course, on occasion, decisions necessarily have to be taken which adversely impact on employees; in such scenarios we are careful to provide the necessary degree of compassion with the processes we adopt without removing the focus to deliver the commercial benefit for the greater good of the business. Through our flexible approach, our Group colleagues are driven towards finding solutions which create efficiencies for ourselves but, more importantly, our customers. This requires extensive knowledge, creativity and collaboration with customers and suppliers. The Board always aims to act fairly towards colleagues. Further information outlining our approach to recruitment, development and diversity can be found elsewhere in this report.

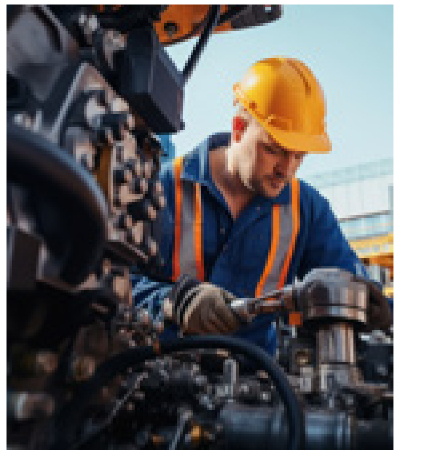
Trasie Marsh, our HR Director, is a member of our Group Leadership Team which sits immediately below the PLC Board. As such all issues are regularly tabled at these meetings and, if necessary, escalated to the PLC Board agenda. Trasie has presented to the PLC Board on a number of occasions, each time highlighting the most important aspects of our people agenda.

In 2023 we continued to build on our Learning & Development approach. Notable success stories have included:

- The rollout of our Talent Accelerator Programme which saw 23 of our high potential colleagues work collaboratively together to develop their individual and collective skills. This is an exercise which we will look to repeat regularly going forward.
- We invested further in our apprenticeship programme we currently have 25 apprentices being supported to develop their skills and experience within the workplace, whilst pursuing a qualification.

Suppliers

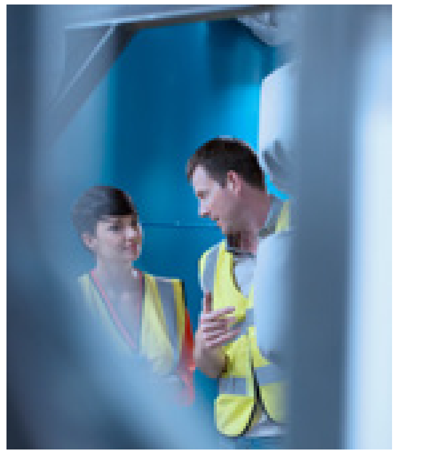
We work closely with our key suppliers, developing strong mutually beneficial partnerships. Suppliers are keen for their products to be distributed via a professional distribution channel and for their brand/reputation to be protected when doing so. We are naturally keen to ensure that all suppliers we choose to partner with share the same business ethos that we strive to consistently deliver throughout our own business.



Issues associated with supplier relations are discussed, when necessary, at Board meetings and our Group Leadership Team includes representation from our Supply Chain and Logistics team. On occasions presentations are delivered to the Board to provide up-to-date commentary and to enable any issues to be discussed, debated and, if necessary, addressed.

Customers

Our customers are at the heart of our business. We aim to provide a great-value, quality service to all customers, ensuring we deliver end-to-end fluid power solutions from a single source.



We are a member of a number of trade bodies in the fluid power industry, including the British Fluid Power Association (BFPA) and the British Fluid Power Distributors Association (BFPDA). We work closely with these organisations and invest in them with representation from the Group at their various gatherings throughout the year. A number of our senior colleagues have held positions on the BFPDA Board and associated committees.

Environment and Communities

We are committed to acting responsibly and our respect for both the environment and our communities goes hand in hand with commercial success. The Group remains committed to providing a safe and healthy working environment and makes efforts which reduce the Group's overall impact on the environment.

Through sharing ideas and resources, every year we find new ways to reduce our impact on the environment. Many of our businesses also proudly support industrial users who are increasingly implementing more stringent environmental practices and seeking hydraulic and pneumatic solutions to facilitate this. Further information can be found within the sustainability section of this report.

The Group is mindful of the responsibilities it has to respect the local, national and global climate-related agenda; from a business perspective it also recognises the associated risks and seeks to put in place processes and actions to mitigate any such factors.

We have been supporting our local communities for many years and the Board encourages this good work. This takes many forms, including supporting charitable events, recruitment of local apprentices, open day support for local schools, and educational events with local communities where Group members carry out projects to make the environment or services better.

In particular in recent times we held Group-wide fundraising initiatives for the Pancreatic Cancer UK charity – this involved many of our people at various sites and resulted in effective team-building exercises as well as raising a significant amount of money for an extremely worthwhile charitable cause. In a similar way we are looking to support a mental wellbeing charity via a variety of initiatives in 2024.

Shareholders

To ensure the Board is aware of Shareholder opinion and concerns, the Non-Executive Directors receive regular Shareholder feedback which is communicated at Board meetings. Additionally from time-to-time, independent information is received through the company's advisers, from both investors and analysts. On an ongoing basis, the Board is also furnished with brokers' and analysts' reports when published.

The Group aims to maintain a regular dialogue with both existing and potential Shareholders through an established investor relations programme, managed by the CEO, CFO and Company appointed NOMAD. We are committed to maintaining an open and constructive dialogue with our Shareholders, providing objective information regarding performance and strategy.

We have and will continue to work hard to improve the quality of our communication to provide existing and potential new investors with the information they require in a format which they wish to see. We believe progress has already been made and the Board is committed that this will remain a key priority throughout 2024 and beyond.

All Shareholders who have elected for paper copies receive a printed copy of the Annual Report and Accounts and all Shareholders receive the Notice of the Annual General Meeting (AGM) along with a proxy form, should Shareholders wish to vote in advance of the AGM. Following each AGM, a notice is posted on the corporate website confirming that all resolutions have been passed, including the specific results of voting on all resolutions, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20% of independent Shareholders.

Beyond the Annual General Meeting, the Chief Executive Officer, Chief Financial Officer and, where appropriate, other members of the senior management team meet regularly with investors, analysts and media to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.

The Company engages in a minimum of two investor roadshows each year, with meetings undertaken either in person or virtually. Since 2021 we have used the services offered by the Investor Meets Company platform to present our results to a wide reach of existing and potential new investors.

Presentations by the Executive Directors of interim and full-year results are offered to all major Shareholders. Other Shareholders are welcome to contact the Company and, wherever possible, their concerns or questions are responded to by a Director in person.

Furthermore, the Group invites investors and potential investors to visit its premises, should they wish to see day-to-day operations and speak with representatives from the Group in a more informal setting.

General information about the Group is also available via the Company's corporate website, www.flowtechfluidpower.com, which includes further information about the business, reports and key documents and recent Company announcements. Interested parties have the opportunity to register for RNS alerts, to keep them informed when important announcements are released.

The Company maintains a dedicated email address and telephone number which investors may use to contact the Company which, together with the Company's address, are prominently displayed on the Contacts page of the Company's website.

Investors may also make contact requests through the Company's Nominated Adviser and Sole Broker, Liberum Capital (see final page for details).

INVESTOR MEET COMPANY
Certificate of Engagement
2024

Financial review.

The group trading performance at a glance

	2023 £m	2022 £m	Change £m/%
Group revenue	112.1	114.8	-2.3%
Gross profit	41.3	41.0	0.7%
Gross profit %	36.8%	35.7%	111 bps
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 seperately 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, 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 assets 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			Island of Ireland		
	2023	2022	Change	2023	2022	Change	2023	2022	Change
Revenue gap (£m)	79.5	84.7	(5.2)	10.6	10.4	0.2	22.0	19.6	2.4
Underlying operating profit (£m)	7.2	9.8	(2.6)	1.6	1.3	0.3	2.5	1.9	0.6
Underlying operating margin	9.3%	11.5%	(2.2)	15.0%	13.0%	2.0	11.4%	9.9%	1.5
Underlying profit before tax (£m)	7.0	9.6	(2.6)	1.6	1.3	0.3	2.5	1.9	0.6

"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"

Russell Cash

Chief Financial Officer

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 to 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 (9.94%). 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	2022 £000
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

	2023 £000	2022 £000
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 assets	456	–
Share-based payment costs	462	372
Release of lease liability	(412)	–
Restructuring	1,918	1,411
Total seperately 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.

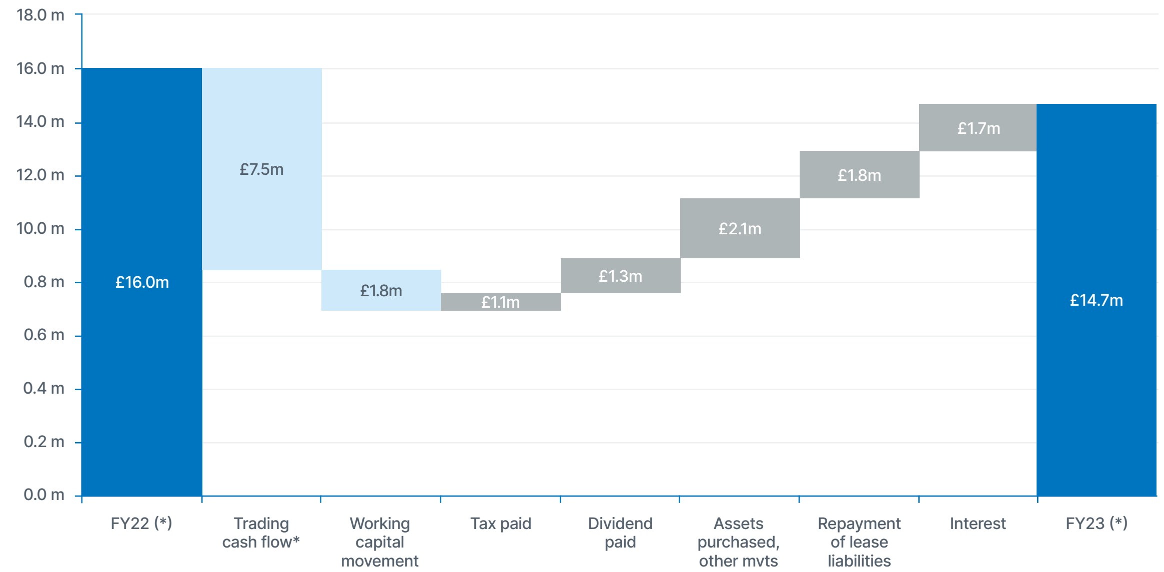
Taxation

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 term debt 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.



(*) 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 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 cause of underperformance in our GB Product Distribution business and are confident that 2024 will see the beginnings of a return to historic EBITDA margins with 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.

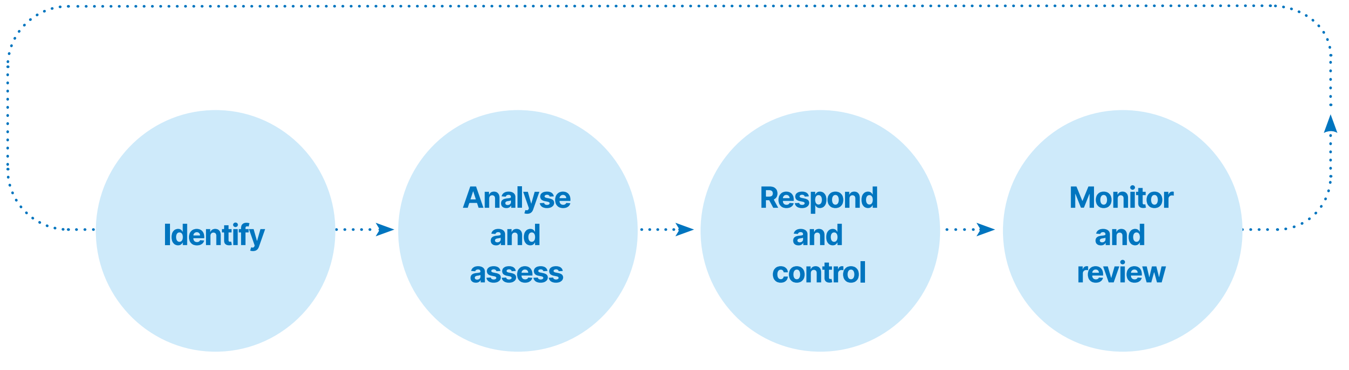
We look forward to the rest of 2024 and beyond, buoyed by the range of profit improvement initiatives which are available to us.

Russell Cash,
Chief Financial Officer
26 March 2024

Managing our risks.

The risk management process

Our Board has overall accountability for the Group's risk management. Our risk management process is co-ordinated by Jenny Shute, Group IT and Strategic Programme Delivery Director with quarterly sessions held with the Group Risk Board which is made up of members of our Group Leadership Team. We follow a simple risk management principle to Identify, Analyse & Assess, Respond & Control and Monitor & Review.



Identify:
Risks are identified using a variety of sources taking into account internal and external sources to ensure that we capture emerging risk themes as well as recognised risks from within our own ecosystem.

Analyse & Assess:
The Group Risk Board assess all identified risks against a defined impact and likelihood criteria to assign an appropriate risk criticality.

Respond & Control:
Specific mitigation and control actions are put in place for all identified risks to reduce the likelihood or impact of the risk occurring.

Monitor & Review:
The Group Risk Board meet on a period basis throughout the year to review current risks and discuss identify any additional actions necessary to further reduce the residual risks.

Ownership

Each of the risks we've identified are owned by a member of our Group Leadership Team who are responsible for the management of that risk. The Group Leadership Team regularly review the risk register collectively.

Our board

Our Board confirms it has undertaken a robust review of our risk register. The Group Leadership Team will regularly update the Board, ensuring full visibility of any changes to our risk profile.

Accountabilities and responsibilities

Board
Overall accountability for the approach to risk management.

Group Risk Board
Responsible for owning and reviewing our risk management process, ensuring mitigating controls are implemented and monitored and making recommendations to the Board.

Individual Sites and Group functions
Identifying, documenting, reviewing and sharing local or functional risks. Where risks meet the criteria of affecting all business units or a significant impact to the group the risk will be reported up to the Group Risk Committee for inclusion in the Group risk register.

Risks and mitigation

We have 15 identified Group risks that are being monitored on an ongoing basis. The table below focuses on the eight high and medium category risks only, the remaining seven risks are classified as low.

What is the risk	How could it affect our business	What we are doing to manage the risk
Force Majeure Events leading to serious supply chain disruption	Future global events such as global conflict, future pandemic, catastrophic natural events caused by climate change or other natural factors could lead to a shortage of raw materials or global sanctions leading to disruption to our critical supply chain leading to delays in the fulfilment of our customer commitments	• Continually monitoring the geopolitical climate to identify potential issues • We have a diverse supply chain allowing for a secondary sourcing of products • Through our close relationships with our suppliers we can identify potential increased risks and ensure mitigating actions are taken at the earliest point
Force Majeure Events leading to serious economic impact	Future global events such as global conflict, future pandemic, catastrophic natural events caused by climate change or other natural factors leading to a prolonged market downturn	• Continually monitoring the geopolitical climate to identify potential issues • Regular monitoring and proactive management processes in place to manage our variable cost base • The business has a diverse customer base across many industry verticals • Maintaining strong investor and bank relationships • Robust insurance cover in place • Remain vigilant to Government support – furlough scheme was a good example of this
Major material damage event to fulfilment centre	A critical incident caused by a natural disaster, failure of fire suppression, inability to access site due to local infrastructure disruption leading to the Skelmersdale Fulfilment Centre being inaccessible for an extended period of time leading to delays in the fulfilment of our customer commitments	• Fully documented business continuity plans • Leverage strong supplier relationships for customer order fulfilment • Utilisation of stock holding from across the Group • Core Group transactional systems managed from an offsite data centre
Loss of critical operational IT systems	Loss of critical IT systems or infrastructure caused by physical or technical failure leading to an inability to service customers and fulfil our financial obligations in a timely manner	• Fully documented disaster recovery plans in place • All critical systems replicated to a secondary data centre • Resilient networks in place at major sites • Strict change management controls in place for all critical systems and infrastructure

What is the risk	How could it affect our business	What we are doing to manage the risk
Cyber-attack causing widespread denial of IT systems	Failure of technical security controls to block a serious cyber incident resulting in the denial of access to our systems or the loss of confidential information	• All critical systems replicated to a secondary data centre with additional segregated backups in place • Vulnerabilities regularly monitored with processes to manage patch management regularly undertaken • Regular control reviews taking place to assess implications to IT changes • Investing in additional technical control mechanisms to assist in data loss prevention • Regular security campaigns run across the business to constantly raise awareness of cyber risks
Loss of critical skills and people	The strong labour market and increased costs of labour could lead to a lack of suitable resources being available to fulfil our customer commitments particularly in our engineering sector	• Early careers strategy, to include, apprenticeships, graduate schemes, and our Talent Acceleration Programme. • College associations to attract talent early • Introduction of attractive benefits, i.e. bonus to retain in the first instance • Long term incentive plans to retain our very best talent • Leadership development programme • Attractive employee value proposition
Major workplace Health & Safety incident	Inadvertent breaches of regulations could lead to prosecution and significant fines	• A Health & Safety strategy, committed to and promoted by all senior leadership • Health & Safety KPIs for all leaders • Robust Health & Safety policy launched and communicated and signed by all employees • Group Health & Safety team, head of trained to NEBOSH
Failure to adhere to GDPR / Data privacy laws resulting in a data breach	Lack of process, technical controls or employee education resulting in personal data being used in an inappropriate manner or breached in a cyber incident. This could lead to significant regulatory fines and reputational damage.	• Investing in additional technical control mechanisms to assist in data loss prevention • Introduction of secure HRIS system • New processes to ensure compliance when handling personal information data • GDPR committee • Leadership GDPR training

The board.

Robert McDowell Non-Executive Chair

Skills & experience

Roger is a highly successful businessman and entrepreneur, with a strong record of delivering shareholder value. He was Managing Director of Oliver Ashworth for 18 years before IPO and subsequent sale to Saint-Gobain, and won the Sunday Times AIM Non-Executive Director of the Year award in 2017 for his Chairmanship of Avingtrans plc, a precision engineering business.

***Appointed:** June 2020 as Independent Director, and Non-Executive Chair from August 2020*

Board Commitees

- Chair of Nomination Committee
- Member of the Audit, Remuneration and AIM Compliance and Corporate Governance Committees

External Appointments

- Non-Executive Chair of Hargreaves Services plc, Avingtrans plc and Brand Architekts Group plc
- Senior Non-Executive Director and Chair of Remuneration Committee of Tribal Group plc
- Non-Executive Director of Proteome Sciences plc and Non-Executive Director and Chair of Audit Committee of British Smaller Companies VCT II plc

Mike England Chief Executive Officer

Skills & experience

Master of Engineering and over 25 years in commercial and operational leadership across Industrial product distribution and services.

7 years at FTSE100 RS Group plc, key leadership roles as Group Chief Operating Officer responsible for P&L across Americas, EMEA and APAC, President of EMEA and initially Managing Director leading the turnaround of UK & Northen Europe.

9 years at FTSE250 Brammer Plc (now trading as Rubix), Key Account and Sales Director prior to which, 9 years at Rexel across broad range of commercial and operational roles.

Mike is passionate about creating a purpose led, high performance culture. Highly customer centric in approach and an advocate for diversity & inclusion. Committed to inspiring the next generation of engineers and giving back to the community.

***Appointed:** April 2023 as CEO.*

Board Commitees

- Member of the AIM Compliance & Corporate Governance Committee
- Other committees by invitation

External Appointments

- None

Russell Cash Chief Financial Officer & Company Secretary

Skills & experience

Qualified as a chartered accountant with Deloitte Haskins & Sells (now PwC) in 1991. Spent 27 years working as a turnaround and restructuring professional, 20 years with PwC prior to taking Partner roles at Baker Tilly (now RSM International) from 2008 to 2013 and FRP Advisory from 2013 to 2018. At both Baker Tilly and FRP he played a key role in the success and expansion at both firms. Russell's experience in effecting change both in terms of operational improvement and cash management have served the Group well given the focus in each of these areas in recent years.

***Appointed:** November 2018*

Board Commitees

- Member of the AIM Compliance & Corporate Governance Committee
- Other committees by invitation

External Appointments

- None

Stuart Watson Non-Executive Director

Skills & experience

Stuart is a Chartered Accountant. He was Senior Partner for EY in Yorkshire and the North East and specialised in audit. He was also responsible for the EY Entrepreneur of the Year Programme. He retired from EY in 2017.

Stuart is currently a NED and Audit Committee Chair at both Humber & North Yorkshire Integrated Care Board and Vp plc, and is an Advisor to Panmure Gordon.

***Appointed:** January 2023*

Board Commitees

- Member of the Audit, Nomination, Remuneration and AIM Compliance and Corporate Governance Committees.

External Appointments

- Non-Executive Director and Chair of Audit Committee of Vp plc
- Non-Executive Director and Chair of Audit Committee of Humber & North Yorkshire Integrated Care Board

Ailsa G Webb Non-Executive Director

Skills & experience

Ailsa has held a number of lead-operational management roles including at TNT and Brammer Buck and Hickman. Until 2019, Ailsa was Chief Operating Officer for the UK, Ireland and Iceland territories at Brammer Buck and Hickman, the UK subsidiary of Rubix Group, Europe's largest supplier of industrial maintenance, repair and overhaul products and services. In 2019, Ailsa joined HSS Hire Services, Scotland, one of the UK's largest equipment rental companies, as Managing Director and, in early 2021 she took over as Managing Director for ABird and Apex Power Solutions, two service business parts of HSS Group. Currently, Ailsa is CEO Europe for CES Global, a division of CES Power.

Ailsa has a deep understanding of the industrials distribution sector, including within e-commerce where she has a wealth of digital transformation expertise driving revenue growth through e-commerce strategies.

***Appointed:** March 2022*

Board Commitees

- Member of the Audit, Nomination, Remuneration and AIM Compliance and Corporate Governance Committees

External Appointments

- No other Board appointments
- Executive role as described above

Jamie Brooke Non-Executive Director

Skills & experience

Jamie has had successful roles in listed and private equity fund management, originally starting out with 3i plc. Over his 30-year career, having sat on 20 different boards, he has focused on driving shareholder value and has gained experience covering fund management and investing, strategy and governance, M&A, audit and consultancy. Most recently he worked with Hanover Investors and, prior to this, Jamie spent twelve years with the Volantis team under the umbrellas of Lombard Odier, Henderson and Gartmore. He trained and qualified as a Chartered Accountant with Deloitte.

***Appointed:** March 2022*

Board Commitees

- Chair of the Remuneration Committee
- Member of the Audit, Nomination, AIM Compliance and Corporate Governance Committees

External Appointments

- CIO/ Director of Kelso Group Holdings and associated companies
- Chair of Titon Holdings plc
- Director of Maitland Capital Limited
- Chairman of Padelstars Limited
- Non-Executive Director of Oryx International Growth Fund plc
- Non – Executive Director of Chapel Down Group plc

Corporate Governance Report.

Chair's statement on corporate governance

A key component of my role is to oversee the development of the Group's corporate governance model and ensure there is continued clear focus on this important area of our business.

Framework for corporate governance

The QCA Code identifies ten principles to be followed as a guide to help companies deliver value for shareholders. This relies on effective management by the Board, accompanied by good communication which serves to develop confidence and trust.

The Company remains committed to maintaining high standards of corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code 2018 ("the QCA code"). Our approach in relation to complying with each of the ten principles of the QCA code is set out below.

I am pleased to report that we continue to consider we are compliant with all aspects of the requirements of the QCA Code.

Compliance with the QCA corporate governance code

Within our Annual Report, we are required to demonstrate compliance with each of the Principles:

Principle 1

"Establish a strategy and business model which promote long-term value for shareholders"

Following the arrival of Mike England as CEO in April 2023 the strategy, associated business model and related key performance indicators have been revisited; this is detailed earlier in the Report & Accounts. We believe this provides existing, and potential new, investors with evidence of our determination to achieve long-term shareholder value.

Principle 2

"Seek to understand and meet shareholder needs and expectations"

We work hard to ensure we achieve a quality delivery of meaningful information on a consistent basis. We continue to work closely with external advisors, notably our NOMAD, Liberum, who provide guidance in this regard. It is also helpful that some of our Non-Executive Directors have a wealth of experience in managing the expectations and understanding the agendas of our key investors.

The entire Board is updated on shareholder feedback, in particular following presentations delivered by our Executive Directors after the announcement of half year and full year results. All Directors are encouraged to attend the Annual General Meeting.

Should investors wish to make contact, details of all Directors are provided via our website.

Principle 3

"Take into account wider stakeholder and social responsibilities and their implication for long-term success"

The Board recognises that the Company's relationship with customers, suppliers and employees are individually, and collectively, critical to its success. Efforts have always, and will continue to be, made to develop strong relationships with customers and suppliers and increasing emphasis has been placed on engagement with employees; the COVID-19 pandemic resulted in certain incremental activities around employee wellbeing initiatives and we have since built on these initiatives. The Executive Directors regularly engage with other senior employees to keep them suitably appraised of key developments; this information is then cascaded through the organisation through specific reporting channels.

The Company has undertaken engagement surveys across all staff for a number of years. These surveys are used to understand what is working well and to the extent there are areas where improvements have been identified, plans are put in place to address any concerns. The significant changes to our senior team has meant that the latest surveys have been deferred until later in 2024.

Linked to all of this our comments in respect of Section 172 of the Companies Act 2006 requirements and in a variety of other areas are provided in our Non-Financial and Sustainability Information Statement on pages 28-31.

Principle 4

"Embed effective risk management, considering both opportunities and threats, throughout the organisation"

Our approach to risk is set out within the Risk Management section of this report. Whilst the Board has overall responsibility, the importance of developing our processes and controls is an area of focus for many others within the Group. The Audit Committee has responsibility for reviewing internal controls and in this regard, there is regular communication between the Committee and the Internal Audit team and Executive Management.

In addition we retain the services of Marsh, specialist Risk Management advisers, who provide an external review of the progress we make and highlight areas for future improvement. On pages 48-51 we have sought to identify our key areas of risk and provide comments to demonstrate the investment we have made to put measures in place to address each of these. In particular, the systems of internal controls and the investment we have made in our Business Systems, Internal Audit and Project Management functions demonstrates how important these areas are, and will always remain, to us. We have also made a significant investment in our Health & Safety agenda over the last four years.

Principle 5

"Maintain the Board as a well-functioning team led by the Chair"

Details of the Board, and their roles within the Board environment and within Committees, is set out on pages 58-60.

The Board is chaired by Roger McDowell and meets regularly with formal Board meetings taking place in most months of the year. Audit Committee meetings are held regularly around announcement activity and Remuneration Committee and Nomination Committee meetings on an as-and-when-needed basis.

The Non-Executive Directors are considered to be independent of management and from any business relationship which could materially interfere with their independent judgement. The Senior Non-Executive Director is Jamie Brooke and is available to Shareholders if they have any concerns.

Principle 6

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

A key role of the Nomination Committee is to ensure that the requisite skills and relevant experience are evident in candidates for Board roles. At the time of appointment, each Director receives training provided by our NOMAD and legal advisers, covering the responsibilities of a Director generally and in particular the requirements when involved in the Board of a listed company.

Brief biographies of each of our Directors are outlined on pages 52-53.

Principle 7

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

The Board undertakes an annual evaluation of its effectiveness. This exercise involves each Board member completing an assessment which provides numeric scoring against specific categories as well as an opportunity for recommendations for improvement to be provided.

The areas reviewed include:

- Board/Committee composition (including succession planning).
- Board/external reporting and information flows.
- Board processes, internal control and risk management.
- Board accountability.
- Executive management effectiveness.
- Standards of conduct.

Any areas where improvement is deemed necessary are discussed and appropriate action plans put in place.

Principle 8

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

The Board aims to promote and maintain a culture of integrity across all businesses within the Group.

An open culture is encouraged within the Group, with regular communications to employees regarding progress and business updates. Employee feedback is encouraged through line management and committee discussions.

The Group has systems in place designed to ensure compliance with all applicable laws and regulations and conformity with all relevant codes of business practice.

Compliance with the Bribery Act 2010 involves the adoption of Standard Practice initiatives with appropriate training being provided.

The Group takes appropriate steps to comply with the provisions of the Market Abuse Regulations and the Modern Slavery Act.

Ever-increasing emphasis is being placed on the Environmental, Social & Governance agenda, evidence of which can be seen via the comments provided on pages 28-39 in this Report. We believe that once again good progress has been made during the course of 2023.

Principle 9

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

Having invested in certain of our central functions, we continue to focus efforts and resource on the implementation of improved processes in areas which we believe will lead to further efficiencies to better manage and control the business we currently have and provide a robust platform to support future growth.

The narrative which follows later in this section of the report explains the roles and responsibilities across Board members and its various committees.

Principle 10

"Communicate how the Company is governed and is performing by maintaining a dialogue with Shareholders and other relevant stakeholders"

This provides details of matters reserved for the Board, the role of Board Committees and other aspects relating to corporate and social responsibility.

Details relating to this are contained in the Group's website – **www.flowtechfluidpower.com**

The Board

The main responsibilities of the Board are the creation and delivery of sustainable Shareholder value by promoting the long-term success of the Company and upholding good corporate governance.

In addition to routine consideration of both financial and operational matters, the Board determines the strategic direction of the Group.

The Board has a formal schedule of matters specifically reserved for it which includes:

1. Development and approval of the Group's strategic aims and objectives.
2. Approval of annual operating and capital expenditure budgets.
3. Oversight of the Group's operations.
4. Approval of the Group's announcements and financial statements.
5. Approval of new Bank facilities or significant changes to existing facilities.
6. Declaration and recommendation of dividends.
7. Approval of major acquisitions, disposals, and capital expenditure.
8. Approval of delegated authority limits.
9. Succession planning and appointments to the Board and its Committees.
10. Review of the Group's overall corporate governance arrangements and reviewing the performance of the Board and its Committees.
11. Maintenance of sound internal control and risk management systems.
12. Approval of the division of responsibilities between the Chair, Chief Executive and other Executive Directors and the terms of reference of the Board Committees.

The Chair

The main responsibilities of the Chair are to lead the Board, ensuring its effective management of the Group's operations and governance. The Chair sets the Board's agenda and promotes a strong culture of challenge and debate. He also plays a key role in investor relations and corresponds with major Shareholders as he sees fit.

This is achieved by:

1. Chairing Board meetings, setting agendas in consultation with the Chief Executive Officer and encouraging the Directors to participate actively in Board discussions.
2. Leading the performance evaluation of the Board, its Committees, and individual Directors.
3. Promoting high standards of corporate governance.
4. Ensuring timely and accurate distribution of information to the Directors.
5. Ensuring effective communication with Shareholders.
6. Periodically holding meetings with fellow Non-Executive Directors without the Executive Directors being present.
7. Establishing an effective working relationship with the Chief Executive Officer by providing support and advice whilst respecting executive responsibility.

The Chief Executive Officer

The CEO is responsible for the day-to-day management of all the Group's activities and the implementation and delivery of the Board's strategic objectives. He also promotes appropriate cultural values and standards and seeks to maintain good relationships and communications with investors.

Company Secretary

Russell Cash, our Chief Financial Officer, is the Company Secretary and as such is responsible for legal and regulatory compliance as well as assisting the Chair in preparation for, and the effective running of, Board meetings.

Senior Independent Director

Jamie Brooke, as the Senior Independent Director, acts as a conduit for all Directors, giving advice and guidance where appropriate.

Board composition

The Board comprises an independent Non-Executive Chair, two Executive Directors and three other Non-Executive Directors. Details of the Directors' remuneration and terms of appointment are set out in the Directors' Remuneration report on pages 62-65. Biographical details of the Directors are included on pages 52-53.

Roger McDowell is Chair of the Board and the Nomination Committee.

Stuart Watson is Chair of the Audit and AIM Compliance and Corporate Governance Committees.

Jamie Brooke is Chair of the Remuneration Committee.

The Executive Directorships are full-time positions. The roles of Chair and Non-Executive Director require a commitment of approximately five days per month. All the Non-Executive Directors have confirmed their ability to meet such commitment. Each Non-Executive Director is required to inform the Board of any changes to their other appointments.

Re-election

All Directors of the Board are subject to election by the Shareholders at the first AGM following their appointment by the Board and all Directors will also stand for re-election annually at the AGM.

Meetings of the Board

There were 10 formal Board meetings during the year. Roger McDowell took leave during part of the year due to a family health matter and as a result missed 4 meetings. During this period Jamie Brooke performed the role of interim Chair.

Formal meetings are supplemented, when circumstances dictate, by other meetings often making use of teleconference facilities. In addition, the Chair and Non-Executive Directors have met during the year without the Executive Directors.

Board Committees Executive Management

To support the two Executive Directors, we have a Group Leadership Team which sits beneath PLC level. This Group includes individuals who lead various functional activities across the Group including Operational, Information Technology and Human Capital matters, and manages all aspects of day-to-day activities, including:

1. Implementing the strategy as set out/agreed by the Board.
2. Overseeing all commercial operations of the Group, ensuring good and effective communication in key areas and alignment of local business objectives to the strategic direction at Group level.
3. Assessment of growth opportunities, both organic and potential acquisition opportunities.
4. Talent management and succession planning.
5. Product quality.
6. Health and safety.
7. Financial control and systems, including IT infrastructure and development.
8. Risk management.

The Board formally delegates responsibility to four committees: the Audit, Remuneration, Nomination, and the AIM Compliance & Corporate Governance Committees. Full terms of reference for each committee can be found on our website.

The Nomination Committee

Chaired by Roger McDowell

This Committee is responsible for ensuring that the Board is sufficiently well equipped to ensure that the Group continues to be governed by suitably qualified people with the breadth and depth of experience required to effectively lead the business.

The Committee recommends and reviews nominees for the appointment of new Directors to the Board and ensures that there is due process used in selecting candidates.

The Remuneration Committee

Chaired by Jamie Brooke

The Remuneration Committee meets at least once a year to determine and agree remuneration packages of the Chair and Executive Directors and other employee benefits. In the year being reported the Committee met once to discuss bonus payments for the Executive Directors and to discuss and approve additional share option packages for the Executive Directors. The measures put in place to reward the Executive Directors is detailed in the Directors' Remuneration section of this Report on page 62-65.

Where appropriate, the Committee seeks advice from remuneration consultants to gain an understanding of current trends and latest developments. In addition, taxation and legal advisors will usually be involved in drafting and finalising reward agreements.

The remuneration of the Non-Executive Directors is agreed by the Chair and Executive Directors. Details of the Directors' remuneration are set out in the Directors' Remuneration Report on pages 62-65.

The AIM Compliance & Corporate Governance Committee

Chaired by Stuart Watson

The AIM Compliance & Corporate Governance Committee usually meets twice a year. It is responsible for establishing, reviewing, and monitoring the Group's procedures and controls for ensuring compliance with the AIM Rules and the timely disclosure of information to satisfy the Group's legal and regulatory obligations.

The meetings in January and November were attended by all Directors.

Our NOMAD, Liberum, provided all Directors with an update with regards to Director responsibilities on 22 November 2023.

The Audit Committee

Chaired by Stuart Watson

The Audit Committee meets at least twice a year with the Group's Auditor and as otherwise required. Its duties are to:

1. Monitor the integrity of the financial statements.
2. Review the quality of the Group's internal controls, ethical standards, and risk management systems.
3. Review the Group's procedures for detecting and preventing bribery and fraud, corruption, sanctions, and whistleblowing.
4. Ensure that the financial performance of the Group is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, and accounting policies.
5. Oversee the relationship with the Group's external Auditor.

During the year, the Audit Committee discharged its responsibilities by:

1. Reviewing the Group's draft financial statements, preliminary announcements and interim results statement prior to Board approval and reviewing the external Auditor's reports thereon.
2. Reviewing the external Auditor's plan for the audit of the Group financial statements, confirmations of auditor independence and proposed audit fee and approving terms of engagement for the audit.
3. Considering the effectiveness and independence of the external Auditor and recommending to the Board the reappointment of Grant Thornton UK LLP as external Auditor.
4. Considering the review of material business risks.
5. Monitoring of reporting and follow-up of items reported by employees.
6. Considering the significant risks and issues in relation to the financial statements and how these were addressed including: revenue recognition; impairment of inventory; impairment of goodwill and intangibles; impairment of investments and intercompany receivables; going concern.
7. Considering the adequacy of accounting resource and the development of appropriate systems and control.
8. Engaging with external providers to assist with certain aspects of accounting disclosure.
9. Considering policies on non-audit engagements for the Company's Auditor.
10. Reviewing reports from the Internal Audit Function and providing input to the implementation of performance improvement measures.

The Audit Committee met twice during 2023 (17 March and 22 November) with all Directors in attendance. In accordance with best practice, the Chairman of the Audit Committee met, and spoke, separately with the Audit Engagement Leader to provide an opportunity for any relevant issues to be raised directly with him.

Board effectiveness

Knowledge & training

Each newly appointed Director is provided with an induction programme comprising visits to Group locations, meetings with key personnel and introductions to the Group's advisers. In addition, care is taken to ensure each new Director has as good understanding as soon as possible with regards to the Group's strategy, risks, challenges, and control and governance procedures.

The Chair is responsible for ensuring that each Director is supplied with timely and relevant information of a quality, and in a form, which enables them to discharge their duties.

The Chair leads an exercise performed on an annual basis to evaluate the effectiveness of the Board.

There is a policy in place by which a director may obtain independent professional advice at the Group's expense where their duties so require.

The training needs of Directors are discussed, and appropriate arrangements put in place. We work closely with external training providers and have a programme in place to deliver tailored training to all members of our central and divisional management teams.

Each Director is required to keep up to date with developments in the Group's areas of operation and their own knowledge base.

Regular discussions with senior members of Group management and the Group's advisers, together with their own professional development obligations and experience in other roles, are usually sufficient to achieve this.

Our Nominated Adviser is invited to the AIM Compliance and Corporate Governance Committee to inform the Board of developments in these areas.

Diversity

The Board is committed to a policy of equal opportunity and diversity to attract and retain the talent needed to fulfil our strategic aspirations. Our culture recognises the need for diversity across a wide spectrum of factors including experience, skills and potential, as well as ethnicity, sexual orientation and gender.

Appointment and advancement are based on merit with no positive or negative discrimination. We recognise that further strengthening our diversity as and when opportunities arise is important to our future wellbeing.

The Nomination Committee reviews various matters when considering the constitution of the Board, including diversity alongside other important factors such as experience and capabilities.

This year sees us including comments on gender pay gap for the second time. As we state in the Sustainability section of the report, page 38-39,

we are determined that gender plays no part in any decisions we make relating to recruitment, remuneration or career progression.

Internal controls & risk management

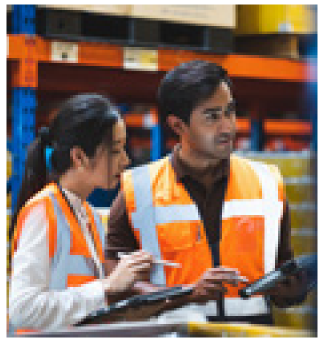
The Directors are responsible for the Group's system of internal control. However, such a system is designed to manage, rather than eliminate, the risk of failures to achieve business objectives and can provide only reasonable and not absolute assurance against misstatement or loss.

The key elements within the Group's system of internal control are as follows:

1. Regular Board meetings to consider matters reserved for Directors' consideration.
2. Regular management reporting.
3. Regular Board reviews of corporate strategy, including a review of material risks and uncertainties facing the business.
4. Established organisational structure with clearly defined lines of responsibility and levels of authority.
5. Documented policies and procedures.
6. Regular review by the Board of financial budgets, forecasts and covenants with performance reported to the Board monthly.
7. Detailed investment process for major projects, including capital investment analysis.

Director's remuneration report.

The Directors' Remuneration Report sets out the key pillars of the remuneration policy for the Group, as well as the rationale for any major decisions made by the remuneration committee during the year. This is intended to help investors assess and understand the remuneration policy in the light of the strategy for the Group. This report is voluntarily disclosed.



The Remuneration Committee

The Remuneration Committee operates under a formal charter, which outlines its responsibilities. These include:

1. **Policy Formulation:**
   The committee reviews and recommends to the Board the Company's remuneration policy, ensuring that it reflects the Company's strategic objectives, performance, and industry norms.
2. **Executive Director Remuneration:**
   The committee assesses the remuneration packages of executive directors, considering performance against key performance indicators, individual contributions, and market benchmarks.
3. **Performance Metrics:**
   The committee establishes and reviews performance metrics for incentive schemes, ensuring that they are challenging and aligned with the Company's long-term goals.
4. **Share-based Incentives:**
   The committee oversees the design and operation of share-based incentive plans, ensuring they contribute to the long-term success of the Company and align with shareholders' interests.
5. **Risk Management:**
   The committee evaluates the risk associated with remuneration policies and practices, ensuring they do not encourage excessive risk-taking that could jeopardise the Company's sustainability.

The Remuneration Committee seeks to act fairly and reasonably and in the interests of the Company and Shareholders.

Our people lie at the heart of our success; it is vital that we have the right calibre of people and that we incentivise excellent performance.

In 2023 the actions of the Remuneration Committee were focused on the following key areas:

- In conjunction with the Nomination Committee, the recruitment and agreement of terms with Mike England who was appointed Chief Executive Officer in April 2023.
- Implementing a new Long Term Incentive Plan structure for the Executive Directors as detailed later in this section of the report.
- Approving annual performance targets and related bonuses for the Executive Directors.
- Reviewing and approving a new Group-wide bonus mechanism for introduction in 2024 to ensure all employees are suitably rewarded for performance against targeted objectives aligned with the overall strategic direction of the Group
- Reviewed the fees charged by the Chair and other Non-Executive Directors

Remuneration policy relating to Executive Directors

The remuneration policy of the Group is:

1. To provide a suitable remuneration package to attract, motivate and retain Executive Directors.
2. To ensure that all long-term incentive schemes for the Directors are in line with the Shareholders' interests.

The Committee makes recommendations to the Board. No Director plays a part in any discussion about their own remuneration. The Remuneration Committee members are expected to draw on their experience to judge where to position the Group, relative to other companies' and other groups' rates of pay when considering remuneration packages for Executives.

The Executive Directors' remuneration comprises:

- Annual salary.
- Performance-related cash bonus.
- Long-term incentive plans controlled by the Remuneration Committee who have the authority to vary payments from amounts arising from agreed formulae/structures and vary the structure and policy each year.

Benefits in kind are the provision of medical insurance premiums and, in the case of Bryce Brooks*, a motor vehicle.

The Executive Directors have service contracts which provide for notice periods of twelve months. Each of the Non-Executive Directors has a service contract which provides for a notice period of three months.

During the year the Board, following the recommendations of the Remuneration Committee, agreed the grant of LTIP options to Mike England and Russell Cash. As part of this process Russell Cash forfeited the LTIP options which had previously been put in place, thus ensuring alignment with the principles underpinning the award to Mike England. As a result of Bryce Brooks' departure from the business his options lapsed.

The vesting of the awards granted to Mike and Russell are dependent on share price appreciation with value being secured based on a share price appreciation to £2 or above after a three-year vesting period. In the event targets are not reached at the three-year point there are testing points after both year four and year five.

*Bryce Brooks stepped down as CEO on 12 April 2023

Directors' detailed remuneration

	Salary and fees £000	Compensation for loss of office	Benefits £000	Bonus £000	**Total 2023 £000**	Total 2022 £000
Executives						
Mike England	256			8	**264**	-
Russell Cash	219		2	53	**274**	211
Bryce Brooks*	134	169	7		**310****	300
Non-Executives						
Roger McDowell	53				**53**	80
Nigel Richens (resigned 25 April 2023)	18				**18**	55
Jamie Brooke (appointed 8 March 2022)	59				**59**	37
Ailsa Webb (appointed 8 March 2022)	47				**47**	37
Stuart Watson (appointed 11 January 2023)	47				**47**	-
					1,072	720

*Bryce Brooks stepped down as CEO on 12 April 2023

** Compensation for loss of office

Directors' share interests

The table below shows the interests of the Directors in office at the end of the year in the share capital of the Company:

	As at 31 December 2023 number of ordinary shares	As at 31 December 2022 number of ordinary shares
Executives		
Mike England	60,470	-
Russell Cash	48,175	48, 175
Non-Executives		
Roger McDowell	1,082,000	750,000
Jamie Brooke	240,000	95,000
Ailsa Webb	40,121	40,121
Stuart Watson	8,965	-

Directors' share options

Details of share options held by the Directors over the ordinary shares of the Company are set out below:

	Scheme	As at 31 December 2022	Lapsed	Forfeited	Granted	As at 31 December 2023
Bryce Brookes*	EMI (Approved)	159,999	(159,999)			-
Bryce Brookes*	LTIP - 2021 issue	187,500	(187,500)			-
Bryce Brookes*	LTIP - 2022 issue	173,077	(173,077)			-
Russell Cash	EMI (Unapproved)	300,000				300,000
Russell Cash	LTIP - 2021 issue	166,667		(166,667)		-
Russell Cash	LTIP - 2022 issue	153,847		(153,847)		-
Mike England	LTIP - 2023 issue				1,583,333	1,583,333
Russell Cash	LTIP - 2023 issue				762,255	762,255

*Bryce Brooks stepped down as CEO on 12 April 2023

The EMI and LTIP share options were issued as part of an employee share-based remuneration scheme called the 'Enterprise Management Incentive Plan' and 'Long-Term Incentive Plan.' Further details are provided in note 22 to the consolidated financial statements.

Future Outlook:

Looking ahead, the Remuneration Committee will continue to adapt and refine remuneration policies to meet evolving business needs and industry best practices. We are committed to engaging with shareholders to understand their perspectives and ensure transparency and accountability in our remuneration practices.

We appreciate the continued support of our shareholders and remain dedicated to delivering long-term value for all stakeholders.

Director's Report.

The Directors present their Annual Report, together with the audited Group and Company financial statements for the year ended 31 December 2023.

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards. The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

A review of the Group's trading and an indication of future developments are contained in the strategic report on pages 20-22. Details of revenue and operating profits for each operating segment are contained in note 3 to the consolidated financial statements. The principal subsidiaries contributing to the profits and net assets of the Group are listed in note 12 to the consolidated financial statements.

Flowtech Fluidpower plc is incorporated in England (Company registration number 09010518) and has its Registered Office at Bollin House, Bollin Walk, Wilmslow, SK9 1DP, Cheshire, UK.

Results and dividends

The results for the year ended 31 December 2023 are set out in the consolidated income statement on page 84.

The Group has reported a £10,367,000 operating loss from its continuing activities (2022: loss £4,380,000). After accounting for net finance costs, the consolidated income statement shows a loss from continuing operations before taxation of £12,102,000 (2022: loss £5,572,000).

The Board will be recommending a final dividend of 2.2p in respect of 2023.

The final dividend of 2.2p in respect of FY23's performance will be paid on 19 July 2024 to Members on the Register as at 21 June 2024, subject to shareholder approval at the Annual General Meeting on 11 June 2024. The ex-dividend date is 20 June 2024.

Directors

The Directors who held office during the year and up to the date of approval of the financial statements are as follows:

- Bryce Brooks (resigned 12th April 2023)
- Russell Cash
- Roger McDowell
- Nigel Richens (resigned 26th April 2023)
- Ailsa Webb
- Jamie Brooke
- Stuart Watson
- Mike England (appointed 12th April 2023)

Short biographies of each Director currently in office are provided on pages 52-53.

Mike England was appointed as Chief Executive Officer on 12th April 2023.

The interest which the Directors serving at the end of the year, or at the date of this Report, had in the ordinary share capital of the Company, and its subsidiaries, at 31st December 2023 is disclosed in the Directors' Remuneration report on page 62.

Details of the Directors' share options are provided in the Directors' Remuneration report on page 65.

Material interest in contracts

No Director, either during or at the end of the financial year, was materially interested in any significant contract with the Company or any subsidiary undertaking.

Share capital

Details of the Company's share capital are in note 23 to the consolidated financial statements.

The Company's share capital comprises one class of ordinary shares and as at 6 March 2024 there were in issue 61,492,673 fully paid ordinary shares of 50p each. All shares are fully transferable and rank *pari passu* for voting and dividend rights.

The Company has been notified of the following interest in more than 3% of the Company's issued share capital.

The table below shows the position as at 6 March 2024 (being the last practicable date before the publication of this Report):

Financial instruments & risk management

Information about the use of financial instruments by the Company and its subsidiaries, and the Group's financial risk management policies, are given in note 27. It is not the Group's policy to trade in financial instruments.

Directors' responsibility under Section 172

Comments on how the Directors have had regard for the interests of various stakeholders whilst making key decisions are contained on page 40, under the Corporate Social Responsibility section.

Shareholders - 6th March 2024	Number of shares held	% share of capital
Odyssean Investment Trust	10,500,000	17.08
Harwood Capital	6,120,000	9.95
Downing LLP	5,814,519	9.46
Close Brothers Asset Management	4,093,046	6.66
Charles Stanley	2,961,144	4.82
Lazard Freres Banque (PB)	2,445,080	3.98
British Growth Fund (BFG)	1,896,724	3.08
Transact	1,854,654	3.02
Hargreaves Lansdown, stockbrokers	1,649,740	2.68
Gresham House Asset Management	1,608,911	2.62

Conflicts of interest

In line with the Companies Act 2006, all Directors have a duty to avoid situations where they have or could have a direct or indirect conflict of interest with the Company. The Act allows Directors of public companies to authorise conflicts and potential conflicts where appropriate to avoid a breach of duty. The Group has specific procedures in place to deal with any potential conflicts of interest and during this financial year, no actual or potential conflicts have arisen.

Board composition

The Board aims to ensure it has the required balance of skills and experience. An assessment of the skillset and effectiveness of the Board is performed on an annual basis.

Re-election

All Directors of the Board are subject to election by the Shareholders at the first AGM following their appointment by the Board and in accordance with the Code, all Directors will also stand for re-election annually at the AGM.

Liability insurance

In line with market practice, each Director is covered by appropriate Directors' and Officers' liability insurance (D&O) at the Company's expense. The D&O insurance covers the Directors and Officers against the costs of defending themselves in legal proceedings taken against them in that capacity and in respect of any damages resulting from those proceedings. The Company also indemnifies its Directors and Officers to the extent permitted by law.

Neither the insurance nor the indemnity provides cover where the Director or Officer has acted fraudulently or dishonestly.

Annual General Meeting

Whilst Shareholders have the right to attend, speak and vote at the meeting if they so wish, we are encouraging Shareholders to submit a proxy vote in advance of the Annual General Meeting and to appoint the Chairman of the meeting as their proxy rather than attend the meeting in person. We are also providing a facility which will enable Shareholders to view the meeting electronically (although they will not be able to vote through this facility) and to submit questions prior to the AGM, which will be addressed at the meeting or otherwise responded to.

The AGM will be held Tuesday 11 June 2024 at 10am. The Company is facilitating an online AGM experience via the Investor Meet Company platform, details of which are contained in the Notice of Meeting. Those joining the meeting remotely will have the opportunity to join the meeting from any remote location and to listen to the proceedings of the meeting. The webcast will also be available on the website after the event.

Subsequent events

The Directors do not consider that there are any material subsequent events to report since the Statement of Financial Position date.

Corporate governance

The Group's statement on corporate governance can be found in the Corporate Governance report on pages 54-61. This forms part of this Directors' report and is incorporated into it by way of this cross reference.

Our environment

The Group's comments as regards the impact our operations have on the environment, and recent initiatives that have been introduced with regards to streamlined energy and carbon reporting requirements, are referred to in the Sustainability section of this report on pages 28-39. These comments form part of this Directors' report by way of this cross reference.

Engagement with employees, suppliers, customers and others

The Group's comments in these areas are included in the Sustainability section of this report on pages 28-39. These comments form part of this Directors' report by way of this cross reference.

Going concern

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

- Although the Group saw a £10,367,000 operating loss in 2023 (2022: loss £4,380,000), after adding back separately disclosed items, this represents an underlying operating profit of £5,989,000 (2022: £8,586,000);
- The Group is expecting to trade profitably in 2024 and beyond;
- Under terms agreed in February 2023, the Group renewed the Revolving credit facility for a period of three years, up to February 2026, with an option to extend by a further year to February 2027. In fact, in early 2024, the facility was extended until May 2027. The renewed facility carries a nominal interest rate of SONIA + 2.40% and is subject to a non-utilisation fee of 0.84%. The facility is secured by legal charges over certain of the Group's assets which include trade receivables and stock. The Group also has a £5,000,000 overdraft facility which was reviewed in February 2023 and on-going support was approved. Whilst technically repayable on demand there is no expectation that the bank would ever withdraw this facility;
- The Group remains compliant with all covenants contained in the Banking Agreement;
- At the end of 2023 the Group's net debt was £14.7 million (2022: £16.0m) (£10.3 million within the aggregate banking facilities which include a £5.0 million overdraft facility).

The Directors have prepared forecasts covering the period to December 2025 and this is our going concern assessment period. Naturally, these forecasts include a number of key assumptions notably relating, inter alia, to revenue, margins, costs and working capital balances.

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 banking facilities.

We have performed stress testing, based on revenue reductions, and are satisfied that the Group is able to remain Covenant compliant in these situations. The Directors view the set of circumstances required for such a situation to crystallise as highly unlikely and as such not reasonably plausible scenarios.

The Directors believe the business will continue to operate within its agreed banking facilities and comply with all banking covenants. As such the Group therefore continues to adopt the going concern basis in preparing its financial statements.

Auditor

Grant Thornton UK LLP was reappointed as Auditor of the Company during the year and a resolution to appoint them will be proposed at the Annual General Meeting.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report & Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

The Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period.

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- for the consolidated financial statements state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- for the Company financial statements state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors confirm that:

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

The Directors are responsible for preparing the Annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the directors consider the Annual report and financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

By order of the Board

Russell Cash, Chief Financial Officer & Company Secretary
28 March 2024

Independent auditor's report to the members of Flowtech Fluidpower plc

Our opinion on the financial statements is unmodified

We have audited the financial statements of Flowtech Fluidpower plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Notes to the Consolidated Financial Information, the Company Income Statement, the Company Statement of Financial Position, the Company Statement of Changes in Equity and the Notes to the Company Financial Information, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's loss and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Analysing the reasonableness of management's forecasts and downside sensitivity;
- Assessing scenario sensitivities and reverse stress tests performed by management, and determining if they are plausible;
- Considering management's historic forecasting accuracy and the extent to which this impacts the forecasts produced;
- Corroborating the existence of the Group's loan facilities and related covenant requirements for the period covered by management's forecasts; and
- Reviewing post year end results achieved to those forecasted to determine if the business is trading in line with forecasts.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from overall UK macro economic growth levels and the risk of recession on the consumer demand, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Overall materiality:
Group: £560,000, which represents 0.5% of the group's revenue.
Parent company: £560,000, which represents 0.4% of the parent company's total assets, capped at group materiality for group audit purposes.

Key audit matters were identified as:

- Carrying value of the Group's goodwill (same as previous year);
- Provision for impairment of inventories (same as previous year); and
- Carrying value of investments in subsidiaries (same as previous year).

We have not reported improper revenue recognition - sale of goods as a key audit matter given the relative lack of judgment in revenue recognition.

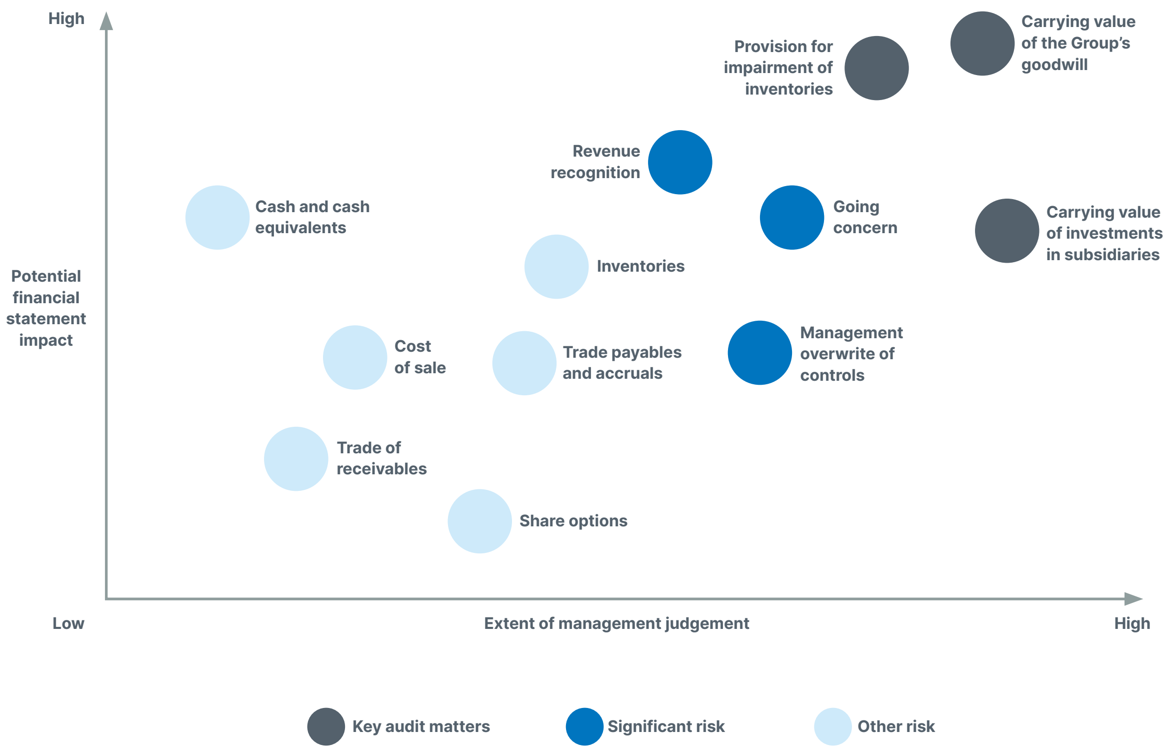
We have performed audits of the financial information using component materiality (full-scope audits) for Fluidpower Group UK Limited and Fluidpower Group Services Limited. We have performed specific audit procedures on the financial information of Flowtech Fluidpower plc, Fluidpower Shared Services Limited and Flowtech Fluidpower Ireland Limited. In total our audit procedures covered 89% of the Group's total assets, 80% of the Group's revenue and 87% of the Group's inventories. We have performed analytical procedures at group level on the financial information of all the remaining Group components.

Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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



Key Audit Matter – Group

Carrying value of the Group's goodwill

We identified valuation of goodwill as one of the most significant assessed risks of material misstatement due to error.

We have pinpointed the significant risk in relation to the carrying value of goodwill to the Primary Fluidpower Systems, Orange County, Flowtech UK, Hydroflex Hydraulics OUD, HES, and Hi-Power Transport Cash Generating Units ('CGUs') in respect of the valuation and allocation assertion. There is an increased risk that goodwill held by the Group relating to the CGUs is impaired due to the sensitivity to changes in the assumptions underpinning the forecasts and discount rate.

Under International Accounting Standard (IAS) 36 'Impairment of Assets', management is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an annual assessment whether the Group's goodwill within a CGU is impaired.

The process for assessing whether impairment of assets exists under IAS 36 is complex. Management use an expert to prepare impairment models to assess the recoverable amount. Calculating value in use, through forecasting cash flows related to CGUs and the determination of the CGUs, appropriate discount rate and other assumptions to be applied can be highly judgemental and subject to management bias or error. The selection of certain inputs into the cash flow forecasts can also significantly impact the results of the impairment assessment.

How our scope addressed the matter – Group

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

- Assessed the competence, capabilities and objectivity of the management's expert used by the Group;
- Assessed the mechanical accuracy of the impairment model and the methodology applied by management for consistency with the requirements of IAS 36, including their associated sensitivity analysis and ensuring that forecasts were approved by the Board of Directors;
- Obtained management's assessment over carrying value and value in use, understood and challenged sensitivities performed;
- Tested the accuracy of management's forecasting through a comparison of prior forecasts to actual data;
- Analysed and challenged the appropriateness of management's assumptions, including comparisons to external sector data, and sensitivities relating to the calculations of the value in use of CGUs and estimated future cash flows, including the growth rate and discount rate used to assess the level of headroom;
- Assessed management's sensitivity analysis to understand the impact of any reasonably possible changes in assumptions, determining their impact on the carrying value of the intangible assets;
- Obtained and challenged management's assessment of CGUs and allocation of central costs, including the reasonableness of any changes in CGUs;
- Ascertained the extent to which a change in these assumptions, both individually or in aggregate, would result in a goodwill impairment, and considered the likelihood of such events occurring. We also considered the sufficiency and appropriateness of disclosures included in the Group's consolidated financial statements regarding such events;
- Used our internal valuation specialists to analyse and challenge management's value in use calculations by comparing it to market capitalisation of the group and enterprise valuations from recent sector transactions;
- Used our internal valuation specialists to inform our challenge of management, ensuring that the assumptions used within the calculation of Weighted average cost of capital (WACC) and growth rate, are reasonable and consistent with other similar Groups; and
- Assessed whether the Group's disclosures with respect to the impairment or lack of impairment of Group goodwill are adequate and the key assumptions are disclosed.

Relevant disclosures in the Annual Report

- Financial statements: Note 2.9 Accounting policies, Intangible assets, Goodwill; and Note 10, Goodwill
- Audit committee report: page 60

Our results

Based on our audit work we found the assumptions used in management's impairment model were appropriate. We did not identify any material misstatements with respect to the carrying value of the Group's goodwill in accordance with IAS 36.

Provision for impairment of inventories

We identified provision for impairment of inventories as one of the most significant assessed risks of material misstatement due to error.

The Group's total inventory as at 31 December 2023 is £32,009,000 (2022: £31,486,000), which is recorded net of a provision of £1,891,000 (2022: £1,693,000).

Inventory management is one of the key challenges facing management and one of the main determinants of the Group's underlying performance.

The provision for impairment of inventories is calculated based on historical sales trends, and management's estimation of recoverability of inventory on hand. Key assumptions made by management include those in relation to expected future sales and levels of excess inventory. Determining the provision for impairment of inventories is complex and involves a high degree of estimation uncertainty.

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

- Assessed whether the Group's accounting policy for impairment of inventories is in accordance with the financial reporting framework, including IAS 2 'Inventories';
- Considered whether the Group's inventory provisions have been recognised in accordance with the Group's accounting policies;
- Challenged the appropriateness of the provision percentage applied to excess stock and performed a sensitivity analysis on the assumptions used in management's adjustments;
- Agreed the integrity of the underlying data used in the calculation of the inventory provisions to sales data;
- Assessed sales made at a loss, both during the financial period and subsequent to the year end;
- Assessed the historical accuracy of prior period's provisioning;
- On a sample basis, we vouched most recent sales to determine if inventory is held at lower of cost or net realisable value; and
- Considered the suitability of the inventory provision, including comparisons to competitors, re-performance of the calculation and considering historical performance relating to inventories. We developed an auditor's range in order to evaluate management's inventory provision and related disclosures about estimation uncertainty.

Relevant disclosures in the Annual Report

- Financial statements: Note 2.10, Accounting policies, Inventories; and Note 15, Inventories Audit committee report: page 60

Our results

Based on our audit work we have not identified any material misstatements relating to the provision for inventories.

Key Audit Matter – Parent company

Recoverability of carrying value of investments in subsidiaries

We identified the carrying value of investments in subsidiaries as one of the most significant assessed risks of material misstatement due to error.

The Company statement of financial position includes investments in subsidiaries of £59,685,000, (2022: £59,532,000).

We have focused on this area due to the size of the investment balance and the higher estimation uncertainty in determining the future cashflows to support the balance.

There is a risk that the carrying value of investments may be overstated. The process for assessing whether impairment exist under IAS 36 'Impairment of Assets' is complex and there is significant judgement in forecasting future cashflows and therefore assessing the value.

Management has performed an assessment of the recoverable amount of the investment and compared this to the carrying value using the same cash flow methodology applied in the impairment test for goodwill described above.

The judgements made by management in respect of the impairment review are subject to significant measurement uncertainty.

How our scope addressed the matter– Parent company

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

- Assessed management's impairment review including comparing management's forecasts with the latest Board-approved budget;
- Assessed the accuracy of management's forecasting through a comparison of historical data to actual results and projections for following periods;
- Assessed the competence, capabilities and objectivity of the management expert used by the Company;
- Assessed the appropriateness of the methodology and discount rate provided by management's expert and used in management's impairment review;
- Challenged the assumptions included within management's calculation, which included gaining an understanding of the key factors and judgements applied in determining future forecast results including the growth rate and discount rates;
- Assessed the accuracy of management's forecasts by comparing forecasts to historical results;
- Considered any indicators of impairment such as market capitalisation and current financial performance;
- Performed sensitivity analysis on key assumptions to understand the potential impact on headroom. This included sensitising the discount rate applied to the future cash flows, and the short-term growth rates and operating income forecast; and
- Assessed the adequacy of the disclosures in the financial statements in accordance with the requirements of IAS 36 'Impairment of Assets'.

Relevant disclosures in the Annual Report

- Financial statements: Note B, Accounting policies, Impairment of investments; and Note I, Investment
- Audit committee report: page 60

Our results

Based on our audit testing, we did not identify any material misstatements in respect of the recoverability of the carrying value of investments in subsidiaries.

Our application of materiality

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

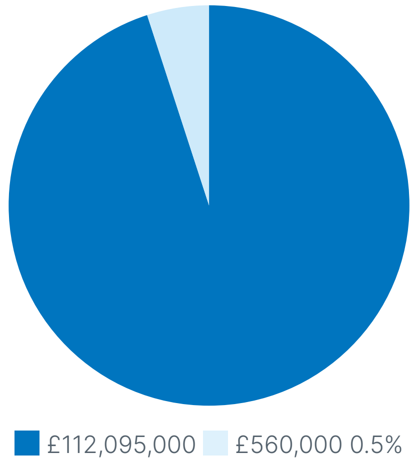
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£560,000 (2022: £545,000), which represents 0.5% of the Group's revenue.	£560,000 (2022: £491,000), which represents 0.4% of the parent company's total assets.

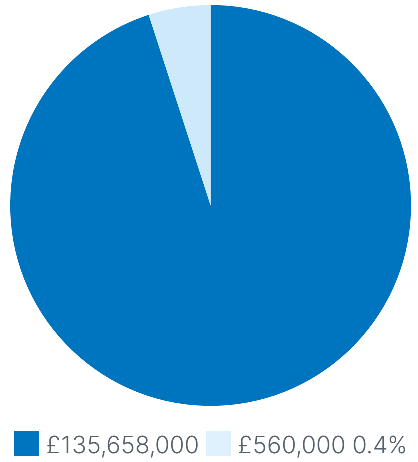
Materiality measure	Group	Parent company
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • We determined that revenue was the most appropriate benchmark for the Group due to it being a key performance indicator of the Group (as part of the Sales growth KPI) and providing a consistent year on year basis for determining materiality as it is less volatile than the earnings for the Group. • A market-based measurement percentage was chosen which reflected our knowledge of the business from the prior year audit, as well as our risk assessment of the business. Materiality for the current year is largely consistent with the level that we determined for the year ended 31 December 2022.	In determining materiality, we made the following significant judgements: • We determined the Parent Company's total assets to be the most appropriate benchmark as the Parent Company does not trade and largely holds investments in subsidiary undertakings and the external borrowings. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2022 to reflect the shift from full scope component to specific scope audit owing to its financial insignificant in the context of the Group as a whole. The materiality level is capped at Group materiality for group audit purposes.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£336,000 (2022: £354,000), which is 60% (2022: 65%) of financial statement materiality.	£392,000 (2022: £319,000), which is 70% (2022: 65%) of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • Our risk assessment procedures identified new leadership in the business; and • Our experience with auditing the financial statements of the group in previous years, including the level of uncorrected misstatements and low number of significant control deficiencies identified in the prior year.	In determining performance materiality, we madethe following significant judgements: • Our risk assessment procedures did not identify any significant changes in business objectives and strategy of the Parent company; and • Our experience with auditing the financial statements of the parent company in previous years, including the level of uncorrected misstatements and low number of control deficiencies in the prior year.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following area: • directors' remuneration.	We determined a lower level of specific materiality for the following area: • directors' remuneration.
Communication of misstatements to the Audit Committee	We determine a threshold for reporting unadjusted differences to the Audit Committee	
Communication of misstatements to the Audit Committee	£28,000 (2022: £27,000), which represents 5% of financial statements materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£28,000 (2022: £25,000), which represents 5% of financial statements materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

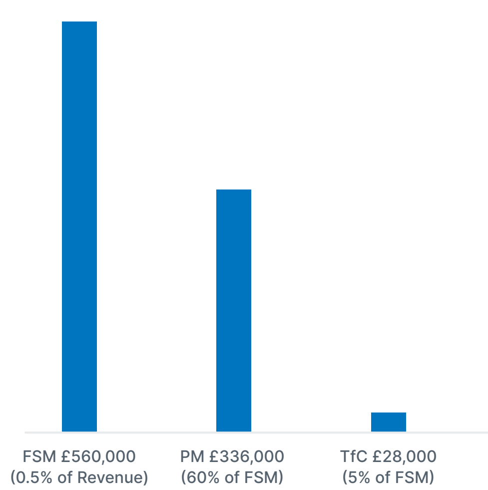
The graph below illustrates how performance materiality interacts with our overall materiality and the threshold for communication to the Audit Committee:

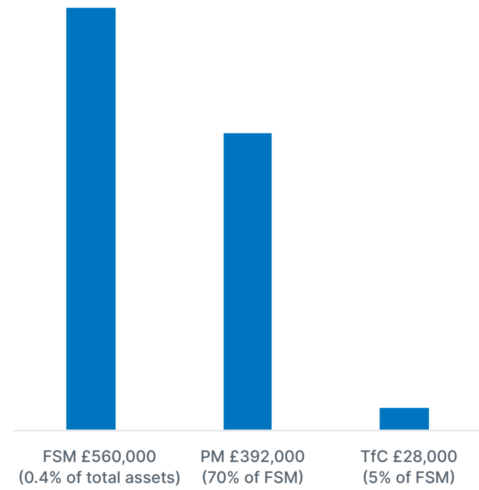
Overall materiality - Group



Overall materiality - Parent







FSM: Financial statement materiality, PM: Performance materiality, TfC: Threshold for communication to the Audit Committee.

An overview of the scope of our audit

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

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

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level; and
- The engagement team further considered the effect of the group organisational structure on the scope of the audit, including Group-wide processes and controls and used this to inform our assessment of risk.

Identifying significant components

- In order to address the risks identified, the engagement team performed an evaluation on components to identify significant components and to determine the planned audit response based on a measure of materiality, calculated by considering the component's significance as a percentage of the Group's total assets, revenue, inventories and loss before taxation.

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

- We performed full scope audits using component materiality on the financial information of the components Fluidpower Group UK Limited and Fluidpower Group Services Limited;
- We performed specific audit procedures on certain balances and transactions of Flowtech Fluidpower plc, Flowtech Fluidpower Ireland Limited and Fluidpower Shared Services Limited;
- We performed analytical procedures on the financial information of Fluidpower MIP Limited, Flowtechnology Benelux Limited and Hydroflex Hydraulics Group BV.
- We identified key audit matters of the Group, which were carrying value of goodwill, provision for impairment of inventories and carrying value of investment in subsidiaries. The audit procedures performed in respect of these have been included within the key audit matters section of our report

Performance of our audit

- Components at which full-scope audit was performed made up 80% of the Group's revenue, 87% of the Group's assets and 87% of the Group's inventories. Components at which specific-scope audit and specified audit procedures were performed made up 0% of the Group's revenue, 2% of Group's assets and 0% of the Group's inventories;
- The total percentage coverage of full-scope audit and specified audit procedures were 80% of the Group's revenue, 89% of the Group's assets and 87% of the Group's inventories;
- For the remaining components we performed analytical procedures on their financial information; and
- Testing of the consolidation process, including re-performance of management's calculations.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage inventories
Full-scope audit	2 (2022: 4)	87% (2022: 88%)	80% (2022: 82%)	87% (2022: 86%)
Specified audit procedures	3 (2022: 1)	2% (2022: 6%)	0% (2022: 9%)	0% (2022: 6%)
Analytical procedures	3 (2022: 8)	11% (2022: 6%)	20% (2022: 9%)	13% (2022: 8%)
Total	8 (2022: 13)	100%	100%	100%

Changes in approach from previous period

- Flowtech Fluidpower plc and Fluidpower MIP Limited have been removed from the full-scope audit to specific audit procedures / analytical procedures owing to their financial insignificance in the context of the Group as a whole;
- Specific audit procedures for Flowtech Fluidpower Ireland Limited did not include revenue and inventories owing to the financial insignificance in the context of the Group as a whole; and
- Flowtech Europe Limited, Flowtechnology Asia Limited, Flowtechnology CZ Limited, Process Fluidpower Limited, Balu Limited and Weltac Limited are not in scope as they were dissolved during the financial year.

Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 70 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and the parent company and the industry in which they operate. We determined that the following laws and regulations were most significant; the Companies Act 2006 and UK-adopted international accounting standards (for the Group), the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework' (for the parent company), and the Quoted Companies Alliance (QCA) Corporate Governance Code;
- We obtained an understanding of how the parent company and the Group are complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the parent company's and the Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
    - Assessing the design and implementation of controls management has in place to prevent and detect fraud;
    - Obtaining an understanding of how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
    - Challenging assumptions and judgments made by management in its significant accounting estimates;
    - Identifying and testing journal entries, in particular journal entries determined to be large or relating to unusual transactions; and
    - Making inquiries, in respect of fraud, of those outside the finance team, including key management and the internal process audit team.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the client operates, and the understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
- The engagement team's discussions in respect of potential non-compliance with laws and regulations and fraud included the risk of fraud in revenue recognition.

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

Use of our report

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

Michael Lowe
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP, Statutory Auditor, Chartered Accountants

Manchester. 28 March 2024

Consolidated Income Statement

For the year ended 31 December

	Note	2023 £000	2022 £000
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	3	(16,356)	(12,966)
Total administrative expenses		(47,096)	(40,926)
Operating (loss)/profit	4	(10,367)	(4,380)
Financial expenses	6	(1,735)	(1,192)
Loss from continuing operations before tax	3	(12,102)	(5,572)
Taxation	7	(875)	(680)
Loss from continuing operations		(12,977)	(6,252)
Loss profit 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	9	(21.10p)	(10.17p)

Consolidated Statement of Comprehensive Income

	2023 £000	2022 £000
(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

	Note	2023 £000	2022 £000
Assets			
Non-current assets			
Goodwill	10	40,066	53,092
Other intangible assets	11	2,529	3,523
Right-of-use assets	21	4,829	6,091
Property, plant and equipment	13	7,822	7,234
Total non-current assets		55,246	69,940
Current assets			
Inventories	15	32,009	31,486
Trade and other receivables	16	23,725	24,620
Prepayments		856	387
Cash and cash equivalents	17	5,184	3,972
Total current assets		61,774	60,465
Liabilities			
Current liabilities			
Interest-bearing borrowings	18	-	19,967
Lease liability	18,21	1,695	1,705
Trade and other payables	19	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	18	19,915	-
Lease liability	18, 21	3,822	5,008
Provisions	20	330	317
Deferred tax liabilities	14	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	23	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

The financial statements on pages 84-131 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf by:
Russell Cash, Chief Financial Officer, Company number: 09010518

Consolidated Statement of Changes in Equity

	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	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	30,746	60,959	187	(124)	293	3,646	159	(14,527)	81,339
Profit 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

	Note	2023 £000	2022 £000
Cash flow from operating activities			
Net cash from operating activities	24	8,202	5,014
Cash flow from investing activities			
Acquisition of property, plant and equipment	13	(2,092)	(1,645)
Acquisition of intangible assets	11	(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	8	(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	17	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	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		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 Consolidated Financial Information

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.

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**.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK adopted international accounting standards and the Companies Act 2006. The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced disclosure framework' (FRS 101).

The consolidated financial statements have been prepared on a going concern basis and prepared on the historical cost basis.

The consolidated financial statements are presented in sterling and have been rounded to the nearest thousand (£'000). The functional currency of the Company is sterling.

The preparation of financial information in conformity with UK-adopted international accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

New standards and interpretations

From 1 January 2023 the following became effective and were adopted by the Company:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective 1 January 2023)
- Amendments to IAS 8 – Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)
- Amendments to IAS 12 – International tax reform - pillar two model rules (effective 1 January 2023)
- IFRS 17 – Insurance Contracts, as amended in December 2021 (effective 1 January 2023)

Their adoption did not have a material effect on the Company's profit for the year or equity.

New standards, amendments and interpretations issued but not yet effective and not early adopted

- Amendments to IAS 1 – Non-current Liabilities with Covenants (effective 1 January 2024)
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback (effective 1 January 2024)
- Amendments to IAS 7 and IFRS 7 - Supplier finance (effective 1 January 2024)
- Amendments to IAS 21 - Lack of Exchangeability (effective 1 January 2025).

It is not considered that the above standards and amendments will have a significant effect on the results or net assets of the Company.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the consolidated financial statements.

2.2 Going concern

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

- The Group made a £10.4m operating loss in 2023 (2022: Loss £4.4m), and after adding back separately disclosed items, this represents an underlying operating profit of £5.9m (2022: £8.6m)
- The Group is expecting to see increased profitability in 2024 and beyond

- Under terms agreed in February 2023, the Group renewed the Revolving credit facility for a period of 3 years, up to February 2026, with an option to extend by a further year to February 2027. In fact, in early 2024, the facility was extended until May 2027. The renewed facility carries a nominal interest rate of SONIA + 2.40% and is subject to a non-utilisation fee of 0.84%. The facility is secured by legal charges over certain of the Groups assets which include trade receivables and stock. The Group also has a £5,000,000 overdraft facility which was reviewed in February 2023 and on-going support was approved. Whilst technically repayable on demand there is no expectation that the bank would ever withdraw this facility.
- The Group remains compliant with all covenants contained in the Banking Agreement
- At the end of 2023 the Group's Net Debt was £14.7 million (£10.3 million within the aggregate banking facilities which include a £5.0 million overdraft facility).

The Directors have prepared forecasts covering the period to December 2025. Naturally, these forecasts include a number of key assumptions notably relating, inter alia, to revenue, margins, costs and working capital balances.

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 banking facilities.

We have performed stress testing, based on revenue reductions, and are satisfied that the Group is able to remain Covenant compliant in these situations. The Directors view the set of circumstances required for such a situation to crystalise as highly unlikely and as such, not reasonably plausible scenarios.

The Directors believe the business will continue to operate within its agreed banking facilities and comply with all banking covenants. As such the Group therefore continues to adopt the going concern basis is preparing its financial statements.

2.3 Basis of consolidation

On 24 April 2014, the Company was incorporated under the name Flowtech Fluidpower Limited. On 7 May 2014, Flowtech Fluidpower Limited acquired the entire issued share capital of Fluidpower Shared Services (formerly Flowtech Holdings Limited) via a share for share exchange with the Shareholders of Fluidpower Shared Services Limited. On 7 May 2014, Flowtech Fluidpower Limited was re-registered as a public limited company with the name Flowtech Fluidpower plc. Following the share for share exchange referred to above, Flowtech Fluidpower plc became the ultimate legal parent of the Group.

In the absence of an IFRS which specifically deals with similar transactions, management judge it appropriate to refer to other similar accounting frameworks for guidance in developing an accounting policy that is relevant and reliable. The Directors consider the share for share exchange transaction to be a Group reconstruction rather than a business combination in the context of IFRS 3 (revised), 'Business Combinations', which has been accounted for using merger accounting principles. Therefore, although the share for share exchange did not occur until 7 May 2014, the consolidated financial statements of Flowtech Fluidpower plc are presented as if the Flowtech Group of companies had always been part of the same Group.

Accordingly, the following accounting treatment was applied in respect of the share for share exchange:

1. The assets and liabilities of Fluidpower Shared Services Limited and its subsidiaries were recognised in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value, and
2. The retained losses and other equity balances recognised in the consolidated financial statements for the year ended 31 December 2013 reflect the retained losses and other equity balances of Fluidpower Shared Services Limited and its subsidiaries recorded before the share for share exchange. However, the equity structure (share capital and share premium balances) shown in the consolidated financial statements reflects the equity structure of the legal parent (Flowtech Fluidpower plc), including the equity instruments issued under the share for share exchange. The resulting difference between the parent's capital and the acquired Group's capital has been recognised as a component of equity being the 'merger reserve'.
3. The Company had no significant assets, liabilities or contingent liabilities of its own at the time of the share for share exchange and no such consideration was paid.

Subsidiaries

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2023. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries, except for those specifically mentioned, have a reporting year ending in December. Beaumanor Engineering Limited has a reporting year ending in June however this entity is dormant andin the process of being struck off.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

2.4 The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, and motor vehicles. Rental contracts are typically made for fixed periods of up to 12 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Leases liabilities are secured on the assets leased. Lease liabilities include the net present value of the following lease payments:

1. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
2. variable lease payments that are based on an index or a rate
3. amounts expected to be payable by the lessee under residual value guarantees
4. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
5. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

1. the amount of the initial measurement of lease liability
2. any lease payments made at or before the commencement date less any lease incentives received
3. any initial direct costs, and
4. restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with a value of less than £3,500.

There are no leases with variable lease payments.

(i) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

No potential future cash outflows have been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(ii) Residual value guarantees

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

Estimating the amount payable under residual value guarantees

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period. At the end of the reporting period, there is no liability on account of residual value guarantees.

2.5 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

1. they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group), and
2. where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2.6 Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at the transaction price in accordance with IFRS 15.

The Group makes use of a simplified approach in accounting for trade losses in other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cashflows, considering the potential for default at any point during the life of the financial instrument.

In calculating, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix. The group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 16 for the movement in expected credit losses, as well as the allocation based on the ageing profile.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Derivative financial instruments and hedging activities

The Group primarily uses forward foreign currency contracts to manage its exposure to fluctuating foreign exchange rates. These instruments are initially recognised at fair value and are subsequently remeasured at their fair value at each statement of financial position date. Any gains or losses are recognised though the Consolidated Income Statement.

Cash and cash equivalents

Cash is defined as cash in hand and on demand deposits. Cash equivalents are defined as short-term highly liquid investments with original maturities of three months or less.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Any change in their value through impairment or reversal of impairment is recognised in profit or loss. Discounting is omitted where the effect is immaterial.

Derecognition of financial liabilities

The Group derecognises a financial liability (or its part) from the statement of financial position when, and only when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability (or a part of a financial liability) extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment. In the case of Right-of-use assets, depreciation is charged over the life of the asset or its lease term, whichever is lower. Land is not depreciated. The estimated useful lives and depreciation methods are as follows:

Property	Up to 50 years - straight line
Plant, machinery and equipment	3 to 20 years - straight line
Motor vehicles	4 to 5 years - straight line
Right-of-use property	2 to 12 years - straight line
Right-of-use motor vehicles	2 to 5 years - straight line

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

2.8 Business combinations

Subject to the transitional relief in IFRS 1 'First time adoption of IFRSs', all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

1. the fair value of the consideration transferred; plus
2. the recognised amount of any non-controlling interests in the acquiree; plus
3. the fair value of the existing equity interest in the acquiree; less
4. the fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred and included in the separately disclosed 'acquisition costs' as part of administration expenses. Any contingent consideration payable is recognised at fair value at the acquisition date. Implied interest cost of deferred consideration is accounted as finance cost. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2.9 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to operating segments and is not amortised but is tested annually for impairment, or earlier if there is an indication of impairment.

Acquired intangibles

Intangible assets acquired as part of business combinations are capitalised at fair value at the date of acquisition. Following the initial recognition, the carrying amount of an intangible is its cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on the basis of the estimated useful life on a straight-line basis and the expense is taken to the income statement and included in the separately disclosed 'amortisation of acquired intangibles' as part of administration expenses (note 11).

The Group has recognised customer relationships and brand identity as separately identifiable acquired intangible assets. The useful economic life attributed to each intangible asset is determined at the time of the acquisition and ranges from five to ten years. Impairment reviews are undertaken whenever the Directors consider that there has been a potential indication of impairment.

Website development costs

Website development costs that generate economic benefits beyond one year are capitalised as intangible assets and amortised on a straight-line basis over a period of up to six years, or by exception over a longer period where it is expected that economic benefits are attributable over a longer period. The remaining useful life of assets is reviewed on an annual basis, or where a change in the business or other circumstances would trigger a revision. Assets under development are not amortised but instead tested for impairment annually. The amortisation expense on intangible assets is recognised in the income statement within administration costs. Software as a service ("SAAS") contract costs are expensed to the Income Statement over the life of the contract. For SAAS and cloud based technology, integration costs are capitalised only when they represent enhancements to Group's existing assets. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Capitalised costs include employee costs incurred on project management, system architecture development and testing.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow-moving items. Cost includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition, including, where appropriate, labour expended in processing of assembled goods.

2.11 Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine expected future losses. A financial asset is impaired if the assessment reveals expected future losses based on detailed review of future expected cash flows from the financial asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or operating segment is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together by cash generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is also allocated to the relevant cash generating unit.

Goodwill acquired in a business combination is allocated to cash generating units that are expected to benefit from the synergies of the combination and represent the lowest level within the Group at which management monitor the related goodwill.

An impairment loss is recognised if the carrying amount of an asset or its cash generating units exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units, and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

2.13 Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model or appropriate variations thereof. An expert is used to assist management with the valuation.

2.14 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2.15 Revenue

Revenue from sale of goods

Revenue from sale of goods is the total amount receivable by the Group for goods supplied, excluding VAT and discounts. Revenue from the sale of goods is recognised in the income statement at a point in time at the point of despatch.

Revenue for sale of goods includes income from delivery charged to customers, excluding VAT. Delivery income is recognised at the same time as the corresponding revenue for sale of goods and is a single combined performance obligation.

Rebates payable to customers are recognised in line with the relevant contractual terms. Rebates payable to customers are contingent on the occurrence or non-occurrence of a future event e.g. the customer meeting an agreed certain sales value. Rebates are recorded using the most likely method (the single most likely amount in a range of possible consideration amounts). Accruals are made for each individual rebate based on the specific terms and conditions of the customer agreement. Management makes estimates on an ongoing basis, primarily based on current customer spending, historic data and its accumulated experience, in order to assess customer revenues and to calculate total rebates earned. Rebates are charges directly to the Consolidated Income Statement over the period to which they relate and are recognised as a deduction from revenue.

Revenue from on-site services

Service revenues comprise installation and maintenance work at client sites. Revenue from on-site work that is standard and on-going (as opposed to bespoke) is recognised when the performance obligations under the work order are completed and acknowledged by the customer, in accordance with the terms and conditions of the work order. Very occasionally, where routine maintenance work is agreed as part of a contract covering a year or number of years, the performance obligation is considered to be discharged evenly through the term of the contract and revenue is recognised over the life of the contract. Warranties offered to customers are usually on the back of warranties offered by suppliers of spare parts and involve negligible costs to the business.

Revenue from bespoke longer-term services is accounted for in accordance with the policy on Revenue from contracts described below.

Revenue from contracts

Revenue from contracts involve providing an end to end solution, involving some or all of project management, design, manufacture, customisation, installation and commissioning that can last several months or years. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price

4. Allocating the transaction price to the performance obligations, and then

5. Recognising revenue when/as performance obligation(s) are satisfied

The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the Group also provides a significant service of integrating components and services under the contract, the sum total of the deliverables (solution) under the contract is treated as a single performance obligation. In this case, the Group has assessed that control of the solution transfers to the customer over time. This is because each solution is unique to the customer (has no alternative use) and the Group is entitled to a right to payment for the work certified as completed in the event the customer sought to terminate the contract.

Revenue for these performance obligations is recognised as the customisation or integration work is performed, using the input method to estimate progress towards completion. On contracts where it has been assessed that we do not meet the criteria to transfer control over time contract revenue is instead recognised at a point in time upon completion and handover of a project.

Billings on bespoke solutions contracts are based on attaining specified contract milestones. Contract assets will arise in situations where revenue is recognised in advance of the next progress billing. When payments are received that exceed the revenue recognised to date on a particular contract, any excess reported in the financial position as deferred income under contract liabilities.

2.16 Cost of sales

Cost of sales includes all costs incurred up to the point of despatch including operating expenses of the warehouse.

2.17 Distribution expenses

Distributions costs are costs directly relating to despatch of goods and indirect costs including advertising and other sales related expenses.

2.18 Operating Divisions

During 2023, the Group the group began monitoring performance based on geographical segments.

The Group monitors and reports business performance based on these three segments:

Great Britain:
Supply of both hydraulic and pneumatic products, 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 specialist technical hydraulic components and systems predominantly into OEMs and end-user channels to all industry markets and supported by supply agreements direct to a broad range of manufacturer brands.

Benelux:
Bespoke design, manufacturing, commissioning, installation and servicing of systems to manufacturers of specialised industrial and mobile hydraulic OEMs and additionally a wide range of industrial end users

Executive Management are considered to be the chief operating decision maker (CODM). The CODM manages the business using an underlying profit figure. Only finance income and costs secured on the assets of the operating segment are included in the segment results. Finance income and costs relating to loans held by the Company are not included in the segment result that is assessed by the CODM. Transfer prices between operating segments are on an arm's length basis.

2.19 Financing income and expenses

Financing expenses comprise interest payable, implied interest on deferred consideration and finance costs implied in leases recognised in profit or loss using the effective interest method. Financing income comprises interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

2.20 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.21 Equity, reserves and dividend payments

Equity comprises the following:

- 'Share capital' represents the nominal value of equity shares
- 'Share premium' represents the excess over nominal value of consideration received for equity share net of expenses of the share issue, less any costs associated with the issuing of shares
- 'Other reserves' relate to the issue of share options for consideration in respect of acquisition of subsidiaries
- 'Shares owned by the EBT' represents shares in the Group purchased for the Employee Benefit Trust
- 'Merger reserve' represents the difference between the Parent's capital and the acquired Group's capital retained losses and other equity balances before and after the share for share exchange which created the Group
- 'Merger relief reserve' represents merger relief arising on the acquisition of subsidiaries for which some or all of the consideration was settled in shares
- 'Currency translation reserve' comprises all foreign exchange differences arising since 1 January 2011, arising from the translation of foreign operations
- 'Retained losses' represent retained losses of the Group, and
- 'Non-controlling interest' relates to profits attributable to non-material non-controlling interests held in subsidiaries.

All transactions with owners of the Parent are recorded separately within equity.

Dividend distributions payable to equity Shareholders are included in other liabilities when the dividends have been approved in general meeting prior to the reporting date.

2.22 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in sterling, which is also the functional currency of the Parent Company.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are re-translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than sterling are translated into sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

The assets and liabilities of foreign operations are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the currency translation reserve. The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs (1 January 2011).

On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

2.23 Significant judgements, key assumptions and estimates

In the process of applying the Group's accounting policies, which are described above, management have made judgements and estimations about the future that have the most significant effect on the amounts recognised in the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management judgements

There are no significant judgements affecting the financial position this year (2022: nil).

Estimation uncertainty

Information about estimations and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of goodwill

The carrying value of goodwill must be assessed for impairment annually. This requires an estimation of the value in use of the cash generating units (CGUs) to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the CGU and the use of an appropriate weighted average cost of capital to discount those cash flows to their present value. The carrying value of goodwill as at 31 December 2023 is £40,066,000 (2022: £53,092,000). Refer to note 10 for further detail. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 10).

Acquired intangibles

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an appropriate weighted average cost of capital to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see note 10).

Provision for impairment of inventories

The carrying value of inventories as at 31 December 2023 was £32,009,000 (2022: £31,486,000) and included a provision against the inventories of £1,891,000 (2022: £1,693,000). The provision for impairment of inventories is based on a sensitivity analysis, sales trends for all inventory and management's estimation of recoverability. As always, there is a risk that the provision will not match the inventories that ultimately prove to be impaired. The provision represents 5.6% of gross value; it should be noted that a 0.5% movement in either direction has an approximate £150,000 impact.

2.24 Separately disclosed items

Separately disclosed items are those significant items which in management's judgement should be highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

2.25 Investment in own shares

Own shares held by the Group's Employee Benefit Trust (EBT) have been classified as deductions from Shareholders' funds. The costs of purchasing own shares held by the EBT are shown as a deduction within Shareholders' equity. The gain from the sale of own shares is recognised in Shareholders' equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the income statement.

3. Segment reporting

During 2023, Management reviews the operations of the business based on three geographical segments – Great Britain, Island of Ireland and Benelux as explained in note 2.18. 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.

Consolidated Income Statement

Segment information for the reporting periods are as follows:

For the year ended 31 December 2023	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	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)	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	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	2022 £000
Separately disclosed items		
Separately disclosed items within administration expenses:		
- Amortisation of acquired intangibles (note 11)	906	943
- Impairment of acquired intangibles (note 11)	-	168
- Impairment of goodwill (note 10)	13,026	10,072
- Impairment of right of use asset (note 21)	456	
- Share-based payment costs (note 22)	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

(*) 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.

Geographical and category analysis of revenue

The Group operates primarily in the UK, The Netherlands, Belgium and Republic of 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	Sale of goods £000	Contracts £000	On-site services £000	Total revenue £000	Non-current assets £000
United Kingdom	82,178	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	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	31 December 2022 £000	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	2022 £000
Depreciation of property, plant and equipment under right-of-use assets (note 21)	1,810	1,670
Depreciation and impairment of tangible assets (note 13)	1,363	1,205
Amortisation of intangible assets – website (note 11)	210	94
Amortisation of intangible assets – customer relationships and brands (note 11)	906	943
Impairment of intangible assets (note 11)	-	168
Impairment of goodwill (note 10)	13,026	10,072
Impairment of right of use asset (note 21)	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	2022 £000
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. Directors & employees

The average number of persons employed by the Group (including Directors) during each year, analysed by category, was as follows:

	Number 2023	Number 2022
Assembly and distribution	270	278
Administration	311	317
Total	581	595
Payroll costs of these people were as follows:	2023 £000	2022 £000
Wages and salaries (*)	20,626	20,050
Social security costs	2,241	2,213
Contributions to defined contribution pension plans	730	659
Share based payments (note 22)	462	372
Total	24,059	23,294

Key management compensation

The remuneration of the Directors and the Chair, who are all statutory Directors and are the key management of the Group, is set out below in aggregate for each of the key categories specified in IAS 24 'Related Party Disclosures'.

	2023 £000	2022 £000
Remuneration	834	634
Compensation for loss of office	169	-
Bonus	61	79
Social security costs	130	113
Benefits in kind	9	7
Total	1,203	833

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2023 £000	2022 £000
Highest paid Director's		
Remuneration	134	225
Compensation for loss of office	169	
Bonus	-	70
Social security costs	32	50
Benefits in kind	7	5
Total highest paid Director's remuneration	342	350

6. Financial expenses

Finance expenses for the year consist of the following:	2023 £000	2022 £000
Finance expense arising from:		
Interest on revolving credit facility	1,419	818
Overdraft interest	-	91
Amortisation of loan arrangement fee	80	40
Other financing costs	17	16
Total bank interest	1,516	965
Interest on lease liabilities	221	227
Total lease interest	221	227
Total finance expense	1,737	1,192

7. Taxation

Recognised in the income statement

Continuing operations:	2023 £000	2022 £000
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	2022 £000
(Loss)/profit for the year	(12,977)	(6,252)
Total tax (expense)	(875)	(680)
(Loss)/profit 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.

8. Dividends

	2023 £000	2022 £000
Final dividend of 2.2p (2022: 2.1p) per share	1,289	1,228
Total dividends	1,289	1,228

The final dividend of 2.1p in respect of FY22's performance was paid 21 July 2023.
The final dividend of 2.2p in respect of FY23's performance will be paid on 19 July 2024 to Members on the Register as at 21 June 2024, subject to shareholder approval at the Annual General Meeting on 11 June 2024. The ex-dividend date is 20 June 2024.

9. 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			Year ended 31 December 2022		
	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	2022 £000
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

10. Goodwill

	2023 £000	2022 £000
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.

Cash generating unit	£000
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 dividends	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 two year period, (extending to five years for FTUK). 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 £13,482,000 has been taken in 2023, of which £13,026,000 was taken against Goodwill and £456,000 was taken against right of use assets.

The split of impairment charge by CGU and asset is shown below:

- FTUK £12,821,000 (Goodwill)
- Primary Systems - £205,000 (Goodwill)
- Hi-Power Transport - £456,000 (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 £456k. 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 £456,000 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.

11. Other intangible assets

	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 £906,000 (2022; £943,000) is a separately disclosed item and is referred to as the amortisation of acquired intangibles.

12. Subsidiary undertakings

	Country of incorporation	Principal activity	Ownership
Fluidpower MIP Limited	UK	Holding company	100%
Fluidpower Group UK Limited	UK	Distributors of engineering components	100%
Fluidpower Group Services UK Limited	UK	Assembly and distribution of engineering components	100%
Flowtech Fluidpower Ireland Limited	ROI	Assembly and distribution of engineering components	100%
Flowtechnology Benelux BV	Netherlands	Distributors of engineering components	100%
The Hydraulic Group BV	Netherlands	Holding company	100%
Hydroflex-Hydraulics BV	Netherlands	Assembly and distribution of engineering components	100%
Hydroflex-Hydraulics Rotterdam BV	Netherlands	Assembly and distribution of engineering components	100%
Hydroflex-Hydraulics Belgium NV	Belgium	Assembly and distribution of engineering components	100%
Fluidpower Shared Services Limited	UK	Group Shared Service Centre	100%
Beaumanor Engineering Limited	UK	Dormant	100%
Balu Limited	UK	Dormant	100%
Indequip Limited	UK	Dormant	100%
KR Couplings Limited	UK	Dormant	100%
Betabite Hydraulics Limited	UK	Dormant	100%
Hydraulics (Ireland) Limited	UK	Dormant	100%
Haitima Flow Control UK Limited	UK	Dormant	100%
Hydravalve UK Limited	UK	Dormant	100%
Hydraulic Equipment Supermarkets Limited	UK	Dormant	100%
Branch Hydraulic Systems Limited	UK	Dormant	100%
HES Tractec Limited	UK	Dormant	100%

For all the subsidiaries above, the class of shares held are ordinary shares and all subsidiaries, except Fluidpower MIP Limited, are indirect subsidiaries of Flowtech Fluidpower plc.

13. Property, plant & equipment

	Land and property £000	Plant, machinery and equipment £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2022	1,289	14,565	735	16,589
Additions	56	1,414	175	1,645
Disposals	-	(217)	(160)	(377)
Effect of movements in foreign exchange	-	66	10	76
Balance at 31 December 2022 and 1 January 2023	1,345	15,828	760	17,933
Additions	-	2,030	62	2,092
Disposals	-	(248)	(3)	(251)
Effect of movements in foreign exchange	-	(28)	(5)	(33)
Balance at 31 December 2023	1,345	17,582	814	19,741
Depreciation and impairment				
Balance at 1 January 2022	243	8,953	502	9,698
Depreciation charge for the year	46	1,039	120	1,205
Disposals	-	(112)	(144)	(256)
Effect of movements in foreign exchange	-	44	8	52
Balance at 31 December 2022 and 1 January 2023	289	9,924	486	10,699
Depreciation charge for the year	48	1,190	125	1,363
Disposals	-	(122)	(1)	(123)
Effect of movements in foreign exchange	-	20	3	23
Balance at 31 December 2023	337	11,012	613	11,919
Net book value				
At 31 December 2023	1,008	6,610	205	7,822
At 1 January 2023	1,056	5,904	274	7,234
At 1 January 2022	1,046	5,612	233	6,891

Included in land and property is land at a cost of £145,000 which is not depreciated (2022: £145,000).

14. Deferred tax assets & liabilities

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2023 £000	2022 £000	2023 £000	2022 £000
Intangible assets	-	-	(434)	(450)
Property, plant and equipment	-	-	(1,114)	(864)
Provisions	14	17	-	-
Employee share-based payments	-	16	-	-
Tax assets/(liabilities)	14	33	(1,548)	(1,314)
Net deferred tax liability			(1,534)	(1,281)

Movement in deferred tax during the year ended 31 December 2023

	1 January 2023 £000	Recognised in profit or loss £000	31 December 2023 £000
Intangible assets	(450)	16	(434)
Property, plant and equipment	(864)	(250)	(1,114)
Provisions	17	(3)	14
Employee share-based payments	16	(16)	-
Losses and other deductibles	-	-	-
	(1,281)	(253)	(1,534)

Movement in deferred tax during the year ended 31 December 2022

	1 January 2022 £000	Recognised in profit or loss £000	31 December 2022 £000
Intangible assets	(806)	356	(450)
Property, plant and equipment	(756)	(108)	(864)
Provisions	20	(3)	17
Employee share-based payments	14	2	16
Losses and other deductibles	-	-	-
	(1,528)	247	(1,281)

15. Inventories

	2023 £000	2022 £000
Finished goods and goods for resale	32,009	31,486

Charges for finished goods recognised as cost of sales in the year amounted to £62,023,000 (2022: £65,055,000). The write-down of inventories to net realisable value amounted to £768,000 (2022: £469,000). The write-downs and reversals are included in cost of sales. The provision made against inventories at the year-end was £1,891,000 (2022: £1,693,000).

Estimates are made of the net realisable value of inventory at the year end. In some circumstances, inventory is subsequently sold in excess of the net realisable value determined, which results in a reversal of the write-down.

16. Trade & other receivables

	2023 £000	2022 £000
Trade receivables	22,058	22,803
Other receivables	1,667	1,817
Trade and other receivables	23,725	24,620

The ageing of trade receivables at the statement of financial position date was:

	Gross 2023 £000	Impairment 2023 £000	Gross 2022 £000	Impairment 2022 £000
Not past due	14,228	53	19,422	70
Past due 0-30 days	5,904	22	2,648	10
Past due 31-60 days	572	30	203	26
Past due 61-90 days	444	23	573	71
More than 90 days past due	1,079	41	152	18
	22,227	169	22,998	195

The overall expected credit loss rate is 0.8% (2022: 0.8%).
The movement in the allowance of impairment in respect of trade receivables during each year was as follows:

	2023 £000	2022 £000
Balance at 1 January 2023	195	298
Provision utilised	(18)	(132)
(Decrease)/Increase in provision	(8)	29
Balance at 31 December 2023	169	195

17. Cash & cash equivalents

	2023 £000	2022 £000
Cash and cash equivalents:		
Sterling	3,950	1,960
Euro	1,220	1,973
Dollar	14	39
Total cash and cash equivalents	5,184	3,972

18. Interest-bearing loans & borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

	2023 £000	2022 £000
Non-current liabilities		
Revolving credit facility ($)	19,915	-
Lease liabilities	3,822	5,008
Total non-current liabilities	23,737	5,008
Current liabilities		
Revolving credit facility	-	19,967
Lease liabilities	1,695	1,705
Total current liabilities	1,695	21,672
Total	25,432	26,680

($) RCF loan arrangement fee of £120k was paid in November 2020 and an additional £133,645 were charged in February 2023. The loan arrangement fees are amortised over the life of the loans (36 months). Accordingly, £83k amortisation charge is charged to the income statement during 2023 (2022: £40k). The unamortised value of the loan fee as at 31 December 2023 of £85k is netted off against the RCF Facility of £20,000k.

Terms and debt repayment schedule	Currency	Nominal interest rate	Year of maturity	Carrying value 2023 £000	Carrying value 2022 £000
Secured revolving credit facility	GBP	SONIA+ 2.65%	2027	20,000	20,000
Lease liabilities	GBP	Various	2021 to 2031	4,890	5,625
Lease liabilities	EUR	Various	2021 to 2027	626	1,088
				25,516	26,713

Under terms agreed in February 2023, the Group renewed the Revolving credit facility for a period of 3 years, up to February 2026, with an option to extend by a further year to February 2027. The renewed facility carries a nominal interest rate of SONIA + 2.40% and is subject to a non-utilisation fee of 0.84% The facility is secured by legal charges over certain of the Group's assets which include trade receivables and stock. The Group also has a £5,000,000 overdraft facility which was reviewed in February 2023 and on-going support was approved. The overdraft facility does not carry an expiry date and continues until cancelled by either party.

19. Trade & other payables

	2023 £000	2022 £000
Current liabilities		
Trade payables	13,594	12,560
Accrued expenses and deferred income	5,802	4,200
Social security and other taxes	2,162	2,809
	21,558	19,569

Accrued expenses and deferred income is broken down as follows:

	2023 £000	2022 £000
Accrued expenses	3,577	3,114
Deferred income	2,225	912
Contract liabilities – advances received for contract work	-	174
Contract liabilities – deferred service revenue	-	-
	5,802	4,200

20. Provisions

	2023 £000	2022 £000
Opening balance	317	309
Amount utilised during year	(192)	(44)
Amount provided/(released) in the year	207	52
Closing balance	330	317

Provisions have been analysed between current and non-current as follows:

	2023 £000	2022 £000
Current	-	-
Non-current	330	317
Total	330	317

Provisions comprise dilapidation provisions in respect of leasehold properties held by the Group and represents management's best estimate of the amount which is expected to be settled in respect of dilapidation costs for the relevant sites.

21. Right-of-use assets & lease liabilities

Right-of-use assets

	Land and property £000	Plant, machinery and equipment £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2023	8,769	399	2,213	11,381
Additions	843	-	226	1,069
Disposals	(785)	-	(113)	(898)
Effect of movement in foreign exchange	(35)	-	(8)	(43)
Balance at 31 December 2023	8,792	399	2,318	11,509
Depreciation and amortisation				
Balance at 1 January 2023	4,065	133	1,092	5,290
Depreciation charge for the year	1,177	57	576	1,810
Impairment	442	-	14	456
Disposals	(785)	-	(71)	(856)
Effect of movements in foreign exchange	(16)	-	(4)	(20)
Balance at 31 December 2023	4,883	190	1,607	6,680
Net book value				
At 31 December 2023	3,909	209	711	4,829
At 31 December 2022	4,704	266	1,121	6,091

The statement of profit or loss shows the following amounts relating to right-of-use assets and liabilities:

	2023 £000	2022 £000
Depreciation charge of right-of-use assets		
Land and property	1,177	1,055
Plant, machinery and equipment	57	57
Motor vehicles	576	558
Interest expenses (included in finance cost)	219	228
Exchange movements in income statement	-	-
Total expense in the income statement relating to right-of-use assets	2,029	1,898

Analysis by length of liability

	As at 31 December 2023				As at 31 December 2022			
	Land and property £000	Plant, machinery and equipment £000	Motor vehicles £000	Total £000	Land and property £000	Plant, machinery and equipment £000	Motor vehicles £000	Total £000
Current	1,241	57	396	1,695	1,094	60	551	1,705
Non-current	3,340	216	320	3,822	4,230	216	562	5,008
Total	4,581	276	716	5,517	5,324	276	1,113	6,713

The table below describes the nature of the Group's leasing activities by type of right-of-use assets recognised on the balance sheet.

	Land and property	Plant, machinery and equipment	Motor vehicles
Number of right-of-use assets leased	21	5	88
Range of remaining term	1-8 years	4 years	1-4 years
Number of leases with extension options	6	-	-
Number of leases with termination options	6	-	-

22. Employee benefits

22.1 Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans was £730,000 (2022: £658,000).

22.2 Share-based employee remuneration

As at 31 December 2023, the Group maintained five share-based payment schemes for employee remuneration: the Management Incentive Plan; the Long-Term Incentive Plan, the Enterprise Management Incentive Plan, which has two sub plans, Approved and Unapproved; and the Company Share Option Plan.

Management Incentive Plan

The Management Incentive Plan ('MIP') is part of the remuneration package of the Group's senior management. Shares held in Fluidpower MIP Limited under this plan may be sold if certain conditions, as defined in the Articles of Association of Fluidpower MIP Limited, are met. It is based on the growth of Flowtech Fluidpower plc's share value within a specified holding period. The exercise period lapsed on 31 May 2023 and none of the shares were exercised.

The Plan is classified as an equity-settled scheme as there is no present obligation to settle in cash. The number of shares in Fluidpower MIP Limited subject to options and the exercise price are:

Date of grant	Exercise period	2023 number	2022 number
1 June 2016	1 June 2019 to 1 June 2023	-	3,005

Long-term incentive plan (LTIP)

The LTIP has been established to incentivise management to deliver long-term value creation for Shareholders and ensure alignment with Shareholder interests.

The Directors were granted nil-cost options in accordance with the rules of the LTIP. During the year the options previously granted to Bryce Brooks in 2021 and 2022 were forfeited as part of his outgoing settlement agreement after he stepped down as CEO in April 2023. The LTIPs granted to Russell Cash in 2021 and 2022 were modified and it is the modified rewards that are reflected below. The LTIPs are accounted for as an equity-settled share based payment transaction. The fair values of the options granted were determined using the Monte Carlo model. The following principal assumptions were used in the valuation:

Awards	LTIPs (Share price)
Number of awards (*)	2,345,888
Grant date	02 June 2023
Vesting period ends	Up to 5 years
Share price at date of grant	£1.08
Volatility	49.6%
Option life	5 years
Dividend yield	0.01%
Risk-free investment rate	4.20%
Fair value at grant date	£0.26p to 0.65p
Exercisable from/to	2 June 2026 to 2 June 2028
Weighted average remaining contractual life	5 years

Awards Summary	Russell Cash	Mike England	Total
Share price	762,555	1,583,333	2,345,888
Total	762,555	1,583,333	2,345,888

Enterprise Management Incentive Plan

The Enterprise Management Incentive Plan (EMI) is part of the remuneration package of certain employees, the majority of options being issued on the date the Company was admitted to the London Stock Exchange. The sub plans are named Approved and Unapproved by virtue of whether the plans qualify for HMRC approval. Options under this scheme will vest if the participant remains employed for the agreed vesting period. Upon vesting each option allows the holder to purchase one ordinary share. The number of shares subject to options and the exercise price are:

Date of grant	Exercise price	Exercise period	2023 number 000	2022 number 000
Approved plan				
21 May 2014	£1.00	4 April 2017 to 20 May 2024	225	390
8 August 2014	£1.26	4 April 2017 to 7 August 2024	12	12
			237	402
Unapproved plan				
21 May 2014	£1.00	4 April 2017 to 20 May 2024	22	22
11 August 2015	£1.32	4 April 2018 to 10 August 2025	60	60
1 July 2016	£1.00	4 April 2019 to 30 June 2026	45	45
1 January 2019	£1.13	5 May 2022 to 1 September 2025	9	9
25 October 2019	£0.50	5 May 2022 to 28 January 2026	150	150
8 January 2020	£0.50	31 March 2022 to 8 February 2030	50	50
28 May 2021	£1.00	15 March 2023 to 28 May 2031	150	150
14 Feb 2022	£1.00	01 Apr 2025 to 13 Feb 2032	90	90
04 April 2022	£1.33	04 Apr 2025 to 03 Apr 2032	-	75
04 April 2022	£1.24	04 Apr 2025 to 03 Apr 2032	60	60
04 April 2022	£1.00	04 Apr 2025 to 03 Apr 2032	75	85
			711	796
			748	1,198

Share options and weighted average exercise prices are as follows for the reporting periods presented:

	Enterprise Management Incentive Plan				
	Approved scheme		Unapproved scheme		
	Number of shares 000	Weighted average exercise price per share	Number of shares 000	Weighted average exercise price per share	Total number of shares 000
Outstanding at 1 January 2023	402	1.01	796	0.94	1,198
Granted	-	-	-	-	-
Lapsed	(165)	1.00	(85)	0.90	(250)
Forfeited	-	-	-	-	-
Exercised	-	-	-	-	-
Outstanding at 31 December 2023	237	1.01	711	0.95	948
Exercisable at 31 December 2023	-	-	-	-	-

Company Share Option Plan

The Company Share Option Plan ('CSOP') is part of the remuneration package of certain employees. Options under this scheme will vest if the participant remains employed for the agreed vesting period. Upon vesting each option allows the holder to purchase one ordinary share.

The number of shares subject to options and the exercise price are:

	Exercise price	Exercise period	2023 number 000	2022 number 000
11 August 2015	£1.43	11 August 2018 to 10 August 2025	110	110
1 July 2016	£1.00	4 April 2019 to 30 June 2026	220	235
1 January 2019	£1.13	5 May 2022 to 02 Sep 2025	27	27
14 February 2022	£1.29	01 Apr 2025 to 31 Mar 2032	209	209
04 April 2022	£1.33	04 Apr 2025 to 03 Apr 2032	135	232
			701	813

Share options and weighted average exercise prices are as follows for the reporting periods presented:

	Number of shares	Weighted average exercise price per share
Outstanding at 1 January 2023	813	1.23
Granted	-	-
Exercised	-	-
Forfeited	112	1.26
Outstanding at 31 December 2023	701	1.23
Exercisable at 31 December 2023	-	-
Exercisable at 31 December 2022	372	1.14

The consolidated income statement includes a charge of £462,000 (2022: £372,000) in respect of all of the share options issued to staff.

23. Equity

The share capital of the Company consists only of fully paid ordinary shares with a nominal value of 50p per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at Shareholders' meetings of the Company.

	Number	£000
Allotted and fully paid ordinary shares of 50p each		
At 1 January 2023	61,492,673	30,746
At 31 December 2023	61,492,673	30,746

24. Net cash from operating activities

	2023 £000	2022 £000
Reconciliation of (loss)/profit before taxation to net cash flows from operations		
(Loss)/profit from continuing operations before tax	(12,102)	(5,572)
Depreciation and impairment of property, plant and equipment (note 13)	1,363	1,205
Depreciation on right-of-use assets (IFRS 16) (note 21)	1,810	1,670
Impairment of right-of-use assets (IFRS 16) (note 21)	456	388
Write off of right-of-use liability (IFRS 16)	(387)	
Finance costs (note 6)	1,737	1,192
Loss/(gain) 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 10)	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

25. Contingent liabilities & commitments

The Group had capital expenditure of £Nil contracted for but not provided at 31 December 2023 (2022: £19,000).

26. Related party transactions

Transactions between the Company, its Employee Benefit Trust and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Key management includes Executive and Non-Executive Directors. The compensation paid or payable to key management is disclosed in the Directors' Remuneration report. Dividends paid to Directors of the plc were as follows:

	2023 £000	2022 £000
Bryce Brooks* (stepped down as CEO on 12 April 2023)	6	6
Russell Cash	1	1
Roger McDowell	15	15
Nigel Richens* (stepped down as NEDo n 25 April 2023)	1	1
Mike England	-	-
Stuart Watson	-	-
Jamie Brooke	2	2
Ailsa Webb	1	1
	26	26

27. Financial instruments

27.1 Fair values of financial instruments

Fair values
The table below analyses financial instruments into a fair value hierarchy based on the valuation technique used to determine fair value.

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

The Group is exposed to various risks in relation to financial instruments. Each of these is disclosed in the table below.

	Carrying amount 2023 £000	Fair value 2023 £000	Carrying amount 2022 £000	Fair value 2022 £000
Loans and receivables				
Cash and cash equivalents (note 17) (*)	5,184	5,184	3,972	3,972
Trade and other receivables (note 16) (*)	23,725	23,725	24,620	24,620
Total financial assets measured at amortised costs	28,909	28,909	28,592	28,592
Financial assets	28,909	28,909	28,592	28,592
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 18)	(25,516)	(25,516)	(26,713)	(26,713)
Trade payables and accruals (note 19) (*)($)	(17,171)	(17,171)	(15,674)	(15,674)
Total financial liabilities measured at amortised cost	(42,687)	(42,687)	(42,387)	(42,387)
Total financial liabilities	(42,687)	(42,687)	(42,387)	(42,387)
Total financial instruments	(13,778)	(13,778)	(13,889)	(13,889)

(*) In respect of the financial instruments such as short-term trade receivables and payables, interest bearing loans and borrowings, and cash and cash equivalents, we believe the carrying value is a reasonable approximation of the fair value.
($) Trade payables and accruals includes £13,594k of trade payables and £3,577K of accrued expenses. Deferred income is excluded.

Financial instruments measured at fair value	Valuation technique
Forward exchange contracts	The Group hedges a part of the net expected exposure to euros and dollars in a phased manner over 3 – 6 month period using fixed price forward contracts. The hedging process aims to achieve an averaging of market rates over a period of time, and significant gain/loss on open contracts is recognised in the income statement at year end.
Bank loans and other interest-bearing borrowings	Interest-bearing borrowings are recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

27.2 Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the factors that may influence the credit risk of the Group's customer base, including the default risk of the industry and country in which the customers operate. The credit status of each new customer is reviewed before credit is advanced. This includes external evaluations where possible. Outstanding balances are reviewed regularly by management.

The concentration of credit risk for trade receivables at the statement of financial position date by geographic region was:

	2023 £000	2022 £000
UK	18,702	19,477
Europe	3,256	3,054
Rest of the World	100	272
	22,058	22,803

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade receivables, see note 16. Failure to make payments and failure to engage with the Group on alternative payment arrangements are considered indicators of no reasonable expectation of recovery. The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amounts considered irrecoverable are written off against the trade receivables directly.

27.3 Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they fall due or that it fails to satisfy the requirements of its banking covenants. Management prepares robust annual and monthly cash flow forecasts which are fully integrated with the core assumptions underpinning forecast profitability and balance sheet movements; in addition, a rolling 13-week cash flow forecast is continually updated to provide visibility as regards likely quarter end Net Debt positions.

As a result, the business has all the requisite monitoring capability to assess the impact which any adverse trading conditions may present. The business is as focused on managing its working capital base as it is its profitability, a combination which the Board views as key in continually managing this risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Year ended 31 December 2023	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years or more
Non-derivative financial liabilities						
Liabilities relating to right-of-use assets	5,517	5,649	1,526	1,139	1,899	1,085
Revolving credit facility	19,915	24,770	1,590	1,590	21,590	-
Trade payables and accrued expenses	17,171	17,171	17,171	-	-	-
	42,603	47,590	20,287	2,729	23,489	1,085

Year ended 31 December 2022	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000
Non-derivative financial liabilities					
Liabilities relating to right-of-use assets	6,713	6,879	1,825	1,392	1,433
Revolving credit facility	19,967	20,513	20,513	-	-
Trade payables	15,674	15,674	15,674	-	-
	42,354	43,066	38,012	1,392	1,433

There are no contractual maturities over five years, save for liabilities relating to right-of-use assets.

27.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

Market risk – foreign currency risk

The main currency related risk to the Group comes from forward purchasing of inventories and from its foreign operations. Fixed price forward contracts are entered into to hedge the net exposure to euros and dollars in a phased manner over a 3 – 6 month period.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

31 December 2023	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Cash and cash equivalents	3,950	1,220	14	-	5,184
Trade and other receivables	20,052	3,763	-	-	23,815
Revolving credit facility	(19,915)	-	-	-	(19,915)
Liabilities relating to right-of-use assets	(4,890)	(626)	-	-	(5,516)
Trade payables and accrued expenses ($)	(10,811)	(5,754)	(484)	(122)	(17,171)
Net exposure	(11,614)	(1,397)	(470)	(122)	(13,693)

($) Trade payables and accruals includes £13,594k of trade payables ad £3,577K of accrued expenses. Deferred income is excluded.

31 December 2022	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Cash and cash equivalents	1,960	1,973	39	-	3,972
Trade and other receivables	21,128	3,492	-	-	24,620
Revolving credit facility	(19,967)	-	-	-	(19,967)
Liabilities relating to right-of-use assets	(5,625)	(1,088)	-	-	(6,713)
Trade payables	(9,834)	(5,717)	(105)	(18)	(15,674)
Net exposure	(12,338)	(1,340)	(66)	(18)	(13,762)

Sensitivity analysis

A 10% weakening of the following currencies against the pound sterling at 31 December 2023 would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

The analysis is performed on the same basis for the year ended 31 December 2022.

Profit or loss and equity	2023 £000	2022 £000
€	135	79
$	43	6

A 10% strengthening of the following currencies against the pound sterling at 31 December 2023 would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the statement of financial position date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

The analysis is performed on the same basis for the year ended 31 December 2022.

Profit or loss and equity	2023 £000	2021 £000
€	(165)	(97)
$	(52)	(7)

Market risk – interest rate risk

Profile: At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

Variable rate instruments	2023 £000	2022 £000
Financial liabilities (carrying value)	19,915	19,967

Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for the year ended 31 December 2023.

	2023 £000	2022 £000
Equity		
Increase of 100 basis points	(200)	(199)
Decrease of 100 basis points	200	199
Profit or loss		
Increase of 100 basis points	(200)	(199)
Decrease of 100 basis points	200	199

27.5 Capital management

The capital structure of the Group is presented in the statement of financial position and includes equity, cash and borrowings. The statement of changes in equity provides details of equity and note 18 provides details of loans and overdrafts. Funding requirements are provided by a combination of revolving credit (£20m) and overdraft (£5m) facilities. The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to have access to adequate funding for business opportunities, so that it can provide returns for Shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may issue new shares or draw down debt. The Group is not subject to externally imposed regulatory capital requirements and there are no specific ratios used by the Group in assessing its management of capital levels.

The Group is subject to covenants in respect of its bank facilities and remains covenant compliant. There were no changes in the Group's approach to capital management during each year.

The Group maintains sufficient cash levels to enable it to meet its liabilities as they fall due. Management review cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements, financing obligations and to take advantage of business opportunities. In reviewing cash flows and identifying the need for further funds, management consider the nature of cash flow requirements and take appropriate action.

28. Subsequent events

During January 2024 the Group's £20m revolving credit facility provided by Barclays Bank was extended until May 2027. Aside from this in the opinion of the Board, there have been no significant events occurring since the statement of financial position date.

Company income statement	Note	2023 £000	2022 £000
Continuing operations			
Administrative expenses		(2,244)	(1,163)
Operating loss		(2,244)	(1,163)
Financial income	E	2,000	2,100
Financial expenses	E	(1,499)	(948)
Net financing income		501	1,152
(Loss)/Profit from continuing operations before tax		(1,743)	(11)
Taxation	F	-	-
(Loss)/Profit for the year attributable to the owners of the parent		(1,743)	(11)

	Note	2023 £000	2022 £000
Fixed assets			
Investments	I	59,685	59,532
Total fixed assets		59,685	59,532
Current assets			
Cash and cash equivalents		8	5
Trade and other debtors	J	75,965	76,207
Total current assets		75,973	76,212
Creditors: amounts falling due within one year			
Interest-bearing loans and borrowings	K	-	19,967
Trade and other creditors	L	10,980	8,444
Total creditors: amounts falling due within one year		10,980	28,411
Net current assets		64,993	47,801
Total assets less current liabilities		124,987	107,333
Creditors: amounts falling due after more than one year			
Interest-bearing loans and borrowings	K	19,915	-
Total creditors: amounts falling due after more than one year		19,915	-
Net assets		104,762	107,333
Capital and reserves			
Called up share capital	N	30,746	30,746
Share premium account		60,959	60,959
Other reserves		187	187
Merger relief reserve		453	453
Retained earnings		12,417	14,988
Total equity		104,762	107,333

Company statement of changes in equity

	Share capital £000	Share premium £000	Other reserve £000	Merger relief reserve £000	Retained earnings (*) £000	Total equity £000
Balance at 1 January 2022	30,746	60,959	187	453	15,878	108,223
Profit for the year	-	-	-	-	(11)	(11)
Total comprehensive income for the year	-	-	-	-	(11)	(11)
Transactions with owners						
Equity dividends paid (note G)	-	-	-	-	(1,228)	(1,228)
Share options - granted to subsidiary employees	-	-	-	-	372	372
Share options settled	-	-	-	-	23	23
Total transactions with owners	-	-	-	-	(879)	(879)
Balance at 1 January 2023	30,746	60,959	187	453	14,988	107,333
(Loss) for the year	-	-	-	-	(1,743)	(1,743)
Total comprehensive income for the year	-	-	-	-	(1,743)	(1,743)
Transactions with owners						
Equity dividends paid (note G)	-	-	-	-	(1,289)	(1,289)
Share options – granted to subsidiary employees	-	-	-	-	462	462
Share options settled	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	(827)	(827)
Balance at 31 December 2023	30,746	60,959	187	453	12,727	104,762

(*) Retained earnings and share based payment reserve.

The financial statements on pages 66-127 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf by:

Russell Cash, Chief Financial Officer

Company Registration Number: 09010518
25 April 2023

Notes to the Company's Financial Information

A. Authorisation of financial statements & statement of compliance with FRS 101

The financial statements of Flowtech Fluidpower plc for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 25 April 2023 and the Statement of Financial Position was signed on the Board's behalf by Russell Cash. Flowtech Fluidpower plc is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in sterling.

These financial statements have been prepared on a going concern basis and on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The principal accounting policies adopted by the Company are set out in note B.

B. Accounting policies

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2023.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a. the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

   i. paragraph 79(a)(iv) of IAS 1;

   ii. paragraph 73(e) of IAS 16 'Property, Plant and Equipment';

b. the requirements of paragraphs 10(d), and 134-136 of IAS 1 'Presentation of Financial Statements' and the requirements of IAS 7 'Statement of Cash Flows';

c. the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';

d. the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';

e. the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

f. disclosure requirements of IFRS 7 'Financial Instruments'.

Investments
Investments in Group Undertakings are recorded at cost, which is the fair value of the consideration paid. Investments are tested for impairment and carried at cost less accumulated impairment losses.

The Company considers impairment of its investment in subsidiaries by estimating the recoverable amounts of the investments, which are based on either the net assets of the subsidiary, or value-in-use calculations.

Employee Benefit Trust (EBT)
The EBT is not treated as an extension of the parent and therefore not included in the parents individual accounts and only consolidated in the group accounts. The costs of purchasing own shares held by the EBT are shown as a deduction within shareholders equity in the consolidated statement of changes in equity.

Financial instruments
Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors
Trade and other debtors are recognised at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash, bank balances net of bank overdrafts and short-term deposits held with banks by the Company, and are subject to insignificant risk of changes in value.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Any change in their value through impairment or reversal of impairment is recognised in profit or loss. Discounting is omitted where the effect is immaterial.

Derivative financial instruments
Derivative financial instruments held by the Company include forward foreign currency contracts and are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Derecognition of financial liabilities
The Company derecognises a financial liability (or its part) from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability (or a part of a financial liability) extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Share-based payments
The fair value of employee share plans is calculated using a variation of the Black-Scholes model. In accordance with IFRS 2 'Share-based payment', the resulting cost is charged to the profit and loss account over the vesting period of the plans.

Where the individuals are employed by the Parent Company, the fair value of options granted is recognised as an employee expense with a corresponding increase in equity. Where the individuals are employed by a subsidiary undertaking, the fair value of options to purchase shares in the Company that have been issued to employees of subsidiary companies is recognised as an additional cost of investment by the Parent Company. An equal amount is credited to other equity reserves, grouped under retained earnings.

Financing income and expenses
Financing expenses comprise interest payable. Financing income

comprises interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Dividends
Dividend distributions payable to equity Shareholders are included in other liabilities when the dividends have been approved in general meeting prior to the reporting date.

Pensions
Company employees are members of defined contribution pension schemes where the obligations of the Company are charged to the profit and loss account as they are incurred.

Significant judgements, key assumptions and estimates

In the process of applying the Company's accounting policies, which are described above, management have made judgements and estimations about the future that have the most significant effect on the amounts recognised in the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management estimates
The following estimates have the most significant effect on the financial statements.

Impairment of investments
The carrying value of investments are assessed for impairment. This requires an estimation of the value in use of the operations underpinning the investments.

The value in use of the investment is calculated from cash flow projections for the relevant entity based on financial projections covering a period of 2 years plus a terminal value, assumed growth rates and discount rates relevant to the individual entity.

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected cash flows. Changes in revenues and expenditure are based on past experience and expectations of future growth.

The pre-tax discount rate applied in the impairment review ranged from 14.6% to 18.1% (2022: 12% to 15%). This discount rate is derived from the Group's weighted average post-tax cost of capital.

The carrying value of the investments at 31 December 2023 is £59,685,000 (2022: £59,532,000). The value in use of investment in subsidiaries is in excess of the carrying value. Consequently, there was no impairment charge during the year.

Impairment of Group balances
The carrying value of Group balances are assessed for impairment based expected credit loss model. At each reporting date, the management assesses whether any events have occurred which have had a detrimental effect on the ability of each of the Group companies to repay the amounts due.

The amounts owed by subsidiary undertakings were £75,841,000 (2022: £76,083,000). There was no impairment charge during the year.

C. Services provided by the Company's auditor

During the period, the Company obtained the following services provided by the Company's Auditor at the costs detailed below:

	2023 £000	2022 £000
Audit of the statutory financial statements of Flowtech Fluidpower plc	95	78

D. Directors & employees

Details of Directors and employees are shown in note 5 to the consolidated financial statements. The average number of persons employed by the Company (including Directors) during each year was as follows:

	2023 £000	2022 £000
Administration	7	6

The aggregate payroll costs of these persons were as follows:

	2023 £000	2022 £000
Renumeration	695	634
Bonus	61	79
Social security costs	96	113
Benefits in kind	9	7
	863	833

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2023 £000	2022 £000
Highest paid Director's remuneration		
Renumeration	134	225
Compensation for loss of office	169	-
Bonus	-	70
Social security costs	32	50
Benefits in kind	7	5
Total highest paid Director's remuneration	342	350

E. Financial income & expense

Finance income for the year consists of the following:

	2023 £000	2022 £000
Finance income arising from:		
Dividends received from Group undertakings	2,000	2,100
Total finance income	2,000	2,100

Finance expenses for the year consist of the following:

	2023 £000	2022 £000
Finance income arising from:		
Bank loans and revolving credit facility, and amortisation of loan arrangement fee	1,499	948
Total finance income	1,499	948

F. Taxation

Reconciliation of effective tax rate	2023 £000	2022 £000
(Loss)/Profit for the year	(1,743)	(11)
Total (credit)/tax expense	-	-
(Loss)/Profit excluding taxation	(1,743)	(11)
Tax using the UK corporation tax rate of 23.52% (2022: 19.00%)	(410)	(2)
Impact of change in tax rate on deferred tax balances	-	1
Deferred tax movements not recognised	-	-
Group relief	880	361
Income not taxable	(470)	(399)
Adjustments in respect of prior periods	-	(2)
Amounts not deductible	-	41
Total (credit)/tax expense in the income statement	-	-

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 2022 has been calculated based on this rate.

G. Dividends

	2023 £000	2022 £000
Final dividend of 2.2p (2022: £2.1) per share	1,289	1,228
Total dividends	1,289	1,228

The final dividend of 2.1p in respect of FY22's performance was paid on 21 July 2023. The final dividend of 2.2p in respect of FY23's performance will be paid on 19 July 2024 to Members on the Register as at 21 June 2024, subject to shareholder approval at the Annual General Meeting on 11 June 2024. The ex-dividend date is 20 June 2024.

H. Share-based payments

Details of share-based payments are shown in note 22 to the consolidated financial statements.

I. Investments

	Investments in subsidiaries' unlisted shares £000	Subsidiaries' share-based payment reserves £000	Total £000
At 1 January 2022	59,024	397	59,421
Additions net of exercise of options in the year	-	111	111
At 31 December 2022	59,024	508	59,532
At 1 January 2023	59,024	508	59,532
Additions net of exercise of options in the year	-	153	153
At 31 December 2023	59,024	661	59,685

The subsidiaries of the Company are listed in note 12 of the consolidated company accounts on page 107. For all the subsidiaries listed, the class of shares held are ordinary shares and all subsidiaries, except Fluidpower MIP Limited, are indirect subsidiaries of Flowtech Fluidpower plc.

J. Trade and other debtors

	2023 £000	2022 £000
Current:		
Deferred tax asset	-	1
Prepayments and accrued income	124	123
Amounts owed by Group undertakings *	75,841	76,083
Total trade and other debtors	75,965	76,207

* Amounts owed by group undertakings are payable on demand. An exercise has been undertaken to assess the recoverability of group debtors under IFRS 9 and established the expected credit loss provision required is immaterial and has not been recognised.

K. Interest-bearing loans and borrowings

	2023 £000	2022 £000
Non-current liabilities:		
Revolving credit facility	19,915	-
Total non-current liabilities	19,915	-
Total current liabilities	-	19,967
Total interest-bearing loans and borrowings	19,915	19,967

Under terms agreed in February 2023, the company renewed the Revolving credit facility for a period of 3 years, up to February 2026, with an option to extend by a further. During January 2024 the facility was extended by an additional 15 months to May 2024. The facility carries a nominal interest rate of SONIA + 2.40% and is subject to a non-utilisation fee of 0.84% The facility is secured by legal charges over certain of the Group's assets which include trade receivables and stock. The Group also has a £5,000,000 overdraft facility which was reviewed in February 2023 and on-going support was approved. The overdraft facility does not carry an expiry date and continues until cancelled by either party.

L. Trade and other creditors

	2023 £000	2022 £000
Social security and other taxes	157	118
Accruals and deferred income	253	163
Amounts owed to other Group undertakings	10,570	8,163
Total trade and other creditors	10,980	8,444

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

M. Deferred taxation

Deferred tax assets comprise:

	2023 £000	2022 £000
At start of year	1	1
Total deferred tax credit in profit and loss account for the year	-	-
At end of year	1	1

A deferred tax asset of £nil (2022: nil) in respect of cumulative share-based payments of £Nil (2022: £218,000) has not been recognised due to uncertainty surrounding the availability of future profits, against which these payments can be utilised.

N. Share capital

Allotted, called up and fully paid:

	Number	£000
At 1 January 2023	61,492,673	30,746
At 31 December 2023	61,492,673	30,746

O. Contingent liabilities & commitments

The Company has no capital expenditure contracted for but not provided as at 31 December 2023 (2021: nil).

P. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with entities that are wholly owned subsidiaries of the Flowtech Fluidpower plc Group. Amount owing by Flowtech Fluidpower Employee Benefit Trust is £124,000 (2022: £124,000) remains outstanding. There are no other related party transactions other than those relating to Directors that have been disclosed in note 26 to the consolidated financial statements.

Q. Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

Glossary of terms.

The Group uses a number of alternative performance measures ("APMs") in addition to those measures reported in accordance with IFRS. The APMs are useful to assess the underlying performance of the Group by excluding any one-off, non-operating and non-cash items. Items excluded in this way are grouped under separately disclosed items on the face of the income statement. In doing so, the APMs provide comparability and consistency of trading performance between periods.

The APMs are used to manage and budget for the Group's performance, and for determining the performance rewards for Executive Directors and that of other management throughout the business. The APMs are also used in presentations to investors to communicate the underlying performance of the Group.

The APMs are described in detail, and reconciled to IFRS measures in the table below:

Underlying Operating Profit

Underlying Operating Profit is the measure used by the Directors to assess trading performance of the Group. In the context of presenting the performance of the Group's segments, this measure is referred to as Underlying segment result or underlying operating result, as appropriate. The reconciliation of this APM to the Operating profit in the Consolidated income statement is shown below:

	2023 £000	2022 £000
Underlying operating profit (result)	5,989	8,586
Less Separately disclosed items:		
- Acquisition costs	-	-
- Amortisation of acquired intangibles (note 11)	(906)	(943)
- Impairment of acquired intangibles (note 11)	-	(168)
- Impairment of goodwill (note 10)	(13,026)	(10,072)
- Impairment of leased assets (note 21)	(456)	-
- Share-based payment costs (note 22)	(462)	(372)
- Release of lease liability of property closed in FY23	(412)	-
- Restructuring	(1,919)	(1,411)
	(16,356)	(12,966)
Operating profit	(10,367)	(4,380)

Underlying EBITDA

Underlying EBITDA is another measure used by the Directors to assess trading performance of the Group. The below reconciliation reconciles to Underlying Operating profit:

	2023 £000	2022 £000
Underlying EBITDA (result)	9,372	11,575
Less Depreciation and Amortisation		
- Amortisation of website (note 11)	(210)	(94)
- Depreciation of fixed assets (note 10)	(1,363)	(1,205)
- Depreciation of ROU Assets (note 21)	(1.810)	(1,670)
	(3,383)	(2,989)
Underlying Operating Profit	5,989	8,586

Underlying operating overheads

Underlying operating overheads is total of distribution costs and administrative costs before separately disclosed items. The APM has been introduced this year to spotlight the management of overheads attributable to "business as usual" trading activity in the current inflationary environment. The calculation for Working Capital is shown below.

Lines in Income statement	2023 £000	2022 £000
Administrative expenses before separately disclosed items	30,740	27,960
Distribution expenses	4,534	4,428
Total	35,274	32,388

Net Debt

Net Debt is Bank Debt less the value of cash and cash equivalents. It excludes lease liabilities under IFRS 16. Bank Debt is the value of Barclays RCF facility of £20m and any utilised value of £5m overdraft facility, less any unamortised value of loan arrangement fee referred to in note 18. Net Debt is a key APM used by the Directors to monitor the indebtedness of the Group.

	2023 £000	2022 £000
Cash and Cash equivalents (Note 17)	5,184	3,972
Interest bearing borrowings (Note 17)	(19,915)	(19,967)
Net Debt	14,731	15,995

Working Capital

Working Capital is inventories (Note 15), trade and other receivables (Note 16) and prepayments less trade and other payables (Note 19). The APM is used to monitor the working capital levels across the Group, with a view to manage the indebtedness of the Group within the desired levels. The calculation for Working Capital is shown below.

	2023 £000	2022 £000
Inventories (Note 15)	31,597	31,486
Trade and other receivables (Note 16)	23,258	24,620
Prepayments	856	387
Trade and other payables (Note 19)	(21,146)	(19,569)
Working capital	34,565	36,924

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