



FLOWTECH

FLUIDPOWER

2021 Half-year Report

for the six months ended 30 June 2021

Company no: 09010518

News Release

Issued on behalf of Flowtech Fluidpower plc

Immediate Release

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ('MAR'), and is disclosed in accordance with the Company's obligations under Article 17 of MAR. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

Tuesday, 7 September 2021

Flowtech Fluidpower plc

'Flowtech', the 'Group' or 'Company')

leading specialist supplier of technical fluid power components and services.



2021 Half-year Report

For the six months ended 30 June 2021

"We are pleased that current trading continues to support our 'return to growth' agenda and we have made meaningful progress with each of our strategic goals. Volumes are recovering, margins are stable, and we are proactively addressing the short-term headwinds associated with problematic global supply chains."

Bryce Brooks
Chief Executive Officer

- Revenue much improved against comparative period but 7% down on a more representative H1 2019.
- Sustained strong gross margin.
- Overheads broadly flat, with savings achieved from restructuring activities funding new growth initiatives, such as digital agenda.
- Operating profit improvement directly linked to revenue recovery (H1 2020 result of £0.9m benefitted from £0.9m of furlough support).
- Working Capital increased by £4.7m in H1 2021, with Net Debt** up £1.6m from 2020 year-end position. This is in line with our planning and expectations and linked to increased activity levels, as well as our investment in inventory to combat global supply chain challenges.
- Results now reported on a 3-segment basis.

Financial Highlights

	Half year ended 30 June 2021 Unaudited	Half year ended 30 June 2020 Unaudited	Year ended 31 December 2020 Audited
Revenue	£55.3m	£46.6m	£95.1m
Gross profit %	35.4%	35.1%	34.3%
Operating profit/(loss)	£2.7m	£(0.5m)	£(1.4)m
Underlying operating profit*	£3.4m	£0.9m	£1.1m
Profit/(loss) before tax	£2.3m	£(0.9)m	£(2.1)m
Earnings/(loss) per share (basic)	3.02p	(1.37)p	(3.54)p
Net debt**	£13.2m	£14.5m	£11.6m

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

**Net debt includes VAT linked to Government COVID-19 related support schemes – H1 2021 figure of £0.8m; H1 2020 figure of £1.6m. Net debt excludes IFRS16 related debt.

Results Presentations

The Company held a presentation of results for financial analysts on 7 September 2021, details of which can be obtained by contacting either the Company or advisers as detailed on the next page.

On 8 September 2021, CEO Bryce Brooks and CFO Russell Cash provided a live presentation via the Investor Meet Company platform (IMC). The presentation was open to all existing and potential shareholders. Investors who already follow Flowtech Fluidpower plc on the IMC platform were automatically invited.

Investors can sign up to Investor Meet Company for free and add to meet Flowtech Fluidpower plc [here](#).

Enquiries

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About Flowtech Fluidpower plc

Founded as Flowtech in 1983, Flowtech Fluidpower plc is a group of specialist fluid power businesses. Working in partnership with customers and suppliers, we deliver essential components, customer solutions and high-quality servicing support to keep global industry moving. The business joined the AIM market in 2014. Since the start of 2021, the Group has been operating under three distinct branded segments: with Flowtech and Fluidpower Group Solutions forming what was 'Components', and Fluidpower Group Services the remainder.

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

Segment	What we do	Locations
Flowtech	Supply of both hydraulic and pneumatic consumables, predominantly through distribution for maintenance and repair operations across all industry markets and supported by supply agreements direct to a broad range of original equipment manufacturers. Channels to market: E-commerce websites, customer white label e-commerce websites, catalogues, own and customer trade counters.	Flowtechnology Benelux (Deventer)
		Flowtechnology China (Guangzhou)
		Flowtechnology UK (Skelmersdale)
		Indequip (Skelmersdale)
		Beaumanor (Leicester)
		Hydravalve (Oldbury)
Fluidpower Group Solutions	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. Channels to market: Engineering collaboration, e-commerce.	Primary Fluid Power Components (Skelmersdale)
		Nelson Hi-Power Hydraulics (Dublin, Dungannon, UK)
		HTL (Ludlow)
		Hi-Power Hydraulics (Cork, Dublin, Belfast)
		Hydroflex (Brussels, Rotterdam, OudBeijerland)
		Hydraulic Equipment Supermarkets (Gloucester, Leeds)
		Derek Lane & Co (Newton Abbot, Devon)
	HES Tractec (Gloucester)	
Fluidpower Group Services	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. Capital project-based revenue. Channels to market: In-house design and build, combined with on-site installation, servicing and support.	Primary Fluid Power Systems (Knowsley)
		Branch Hydraulic Systems & HES Automatec (Gloucester)
		HES Lubemec (Gloucester)
		HES Onsite (Leeds, Gloucester)
		Flow Connect (Gloucester)
		Orange County (Spennymoor)

All the Group's divisions have overlapping product sets, allowing procurement synergies to be maximised. The above segments are supported by a centralised back-office team based at the Skelmersdale, Lancashire and Wilmslow, Cheshire sites in the UK and a procurement and quality control team in Shanghai, China. In total, the business employs 629 people.

For more information please visit www.flowtechfluidpower.com/our-business

Half-year Report

For the six months ended 30 June 2021

Half-year Financial Performance & Divisional Analysis

	Six months ended 30 June 2021	Six months ended 30 June 2020	Change	Year ended 31 December 2020
Revenue	£000	£000	%	£000
Flowtech	26,688	22,729	17.4%	46,060
Fluidpower Group Solutions	20,084	16,395	22.5%	33,578
Fluidpower Group Services	8,522	7,443	14.5%	15,443
Total Group revenue	55,294	46,567	18.7%	95,081
Gross profit %	35.4%	35.1%		34.3%

	Six months ended 30 June 2021	Six months ended 30 June 2020	Change	Year ended 31 December 2020
Underlying operating result*	£000	£000	£000	£000
Flowtech	3,962	2,908	1,054	5,038
Fluidpower Group Solutions	2,053	423	1,630	1,790
Fluidpower Group Services	194	(94)	288	(1,236)
Central costs	(2,827)	(2,305)	(522)	(4,520)
Underlying operating result*	3,382	932	2,450	1,072

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

Revenue

Revenue was 18.7% up on H1 2020, although a more representative comparison is with H1 2019 where it was 7.2% down. Whilst a return to growth is encouraging, we have been impacted by supply chain challenges in meeting customer demand, and in certain OEM sectors for our Solutions Division where demand remains below normal levels.

Gross Profit Margin

Our gross profit margin remains strong at 35.4% (2020 35.1%). It can vary from one period to another based on market conditions and mix of sales, but this figure demonstrates our determination to maintain its quality.

Operating Costs

Our underlying operating costs are £0.8m higher than in H1 2020, a period which benefitted from c.£0.9m of Government-backed furlough support. The underlying position reflects the savings achieved in the parts of our business which have been restructured, offset by investment in areas such as e-business, and project management to support our long-term growth agenda.

Underlying Operating Profit

Underlying operating profit is much improved compared with H1 2020 but remains suppressed in relation to H1 2019. Despite sectoral challenges in the lockdown period, the Services division has returned to providing a positive contribution following our ongoing performance improvement initiatives.

Net Debt

Our net debt position has increased from £11.6m at 31 December 2020 to £13.2m at 30 June 2021. Our increased activity levels, combined with our decision to invest in inventory to mitigate supply chain disruption, resulted in a planned and controlled £4.7m increase in working capital. Clearly our profitability has also mitigated the impact of this.

Financial Statement

For the six months ended 30 June 2021

Current Trading

It has been pleasing to see that in the first half of 2021 certain of our key customers exhibited demand levels above our original estimates, meaning in many cases, our volumes have returned to pre COVID-19 levels and enabled us to deliver a solid performance.

A challenge as we entered 2021 was to predict the changes in volume due to the lockdown which was then affecting the UK, and our other trading territories of Republic of Ireland and the Netherlands. The post-Brexit trading structure between the UK and both Northern and Republic of Ireland has also been an issue, as approximately 17% of our revenue is undertaken by Nelson Hi-Power and Hi-Power Transport, with a further 4% from our English based operations to the island of Ireland.

We have been focusing our efforts on managing within this new framework, and in the first half of the year we have been able to maintain gross margins. The Group is dependent on its own supply chains to service increased demand, and in Q2 and now into Q3, there have been difficulties in obtaining core product for short-term needs. In addition, lead times from all major supply partners are being extended, often coupled with price increases. We are confident we can retain our gross margin position with pass-through price increases into the market.

Having successfully managed our inventory position down over recent years, our need to support increased demand and ensure overall stock availability and service levels are maintained has meant that our investment in stock is increasing. We expect this to continue into H2 before this position rebalances.

Developments in Group Strategy

In April 2021, we detailed the key elements of our growth strategy, and we have continued to make progress in several areas:

- **Branding** – The commercial consolidation of the constituents of our Flowtech division is going to plan and we expect to have completed this project in Q1 2022. Warehousing and logistics are already shared, and we will now integrate commercial and IT. Customer reaction has been positive as this creates a co-ordinated approach for many who run separate accounts at each legacy business.
- **Digital** – Our near-term objective has been to create a fully-fledged e-business. Progress is good and we expect to have a rebuilt flowtech.co.uk trading platform by the end of 2021. This will be supported by SEO capabilities that are new to the Group, and insight from our new Customer Data Platform.
- **People** – We have further strengthened our management team. Of note is in early 2021 when we recruited into two new roles: Stephen Ashton as Operations Development Director and Howard Ormesher as Director of Customer Insight. Both have brought considerable additional skills to our Management Board, with Howard heavily involved in our digital strategy, and Stephen working on plans for further operational cost reductions in 2022. We have also recently welcomed Tracie Woolley as our first Director of Human Capital, and she is leading a programme to improve our skill base across the Group. This is particularly important for our technical agenda, which is based on a Minimum Educational Requirement framework for all commercial and operational employees.

Our investment in these areas has increased our central cost base in the short-term as we remain committed to ensuring we have the resources necessary to support long-term growth in both online and offline trading.

Board Changes

Non-Executive Director, Paul Gedman, has decided to stand down from the Board with effect from the end of November 2021. We would like to thank him for his significant contribution to the development of our e-business platform and wish him well with his new executive role. The Board will look to recruit a replacement with appropriate experience to provide valuable support to the Executive Team as we further develop our digital agenda.

Outlook & Dividend

We remain encouraged by the way the fluid power distribution market continues to recover. The volatility of global supply chains will continue to be a challenge in the short-term, however we expect our FY2021 result to be in line with current market guidance. Overall, the Board is satisfied with the recent and current trading performance and pleased with the progress made against each of our key strategic objectives.

The Board remains determined to reintroduce a final dividend payment for the financial year 2021. Thereafter we will recognise both the growth requirements of the business and the interests of our shareholders.

By order of the Board

7 September 2021

Consolidated Income Statement

For the six months ended 30 June 2021

	Notes	Unaudited Six months ended 30 June 2021 £000	Unaudited Six months ended 30 June 2020 £000	Audited Year ended 31 December 2020 £000
Continuing operations				
Revenue		55,294	46,567	95,081
Cost of sales		(35,727)	(30,226)	(62,487)
Gross profit		19,567	16,341	32,594
Distribution expenses		(2,478)	(2,081)	(4,286)
Administrative expenses before separately disclosed items:		(13,707)	(13,328)	(27,236)
– Separately disclosed items	3	(676)	(1,481)	(2,466)
Total administrative expenses		(14,383)	(14,809)	29,702
Operating profit/(loss)		2,706	(549)	(1,394)
Financial expenses		(414)	(380)	(754)
Profit/(loss) from continuing operations before tax		2,292	(929)	(2,148)
Taxation	4	(435)	88	(24)
Profit/(loss) from continuing operations		1,857	(841)	(2,172)
Profit/(loss) for the period attributable to owners of the Parent Company		1,857	(841)	(2,172)
Earnings/(loss) per share	5			
Basic earnings/(loss) per share – continuing operations		3.02p	(1.37p)	(3.54p)
Diluted earnings/(loss) per share – continuing operations		3.01p	(1.37p)	(3.54p)

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 £000	Unaudited Six months ended 30 June 2020 £000	Audited Year ended 31 December 2020 £000
Profit/(loss) for the period	1,857	(841)	(2,172)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
– Exchange differences on translating foreign operations	(240)	334	289
Total comprehensive income in the period attributable to owners of the Parent Company	1,617	(507)	(1,883)

Consolidated Statement of Financial Position

As at 30 June 2021

	Unaudited Six months ended 30 June 2021 £000	Unaudited Six months ended 30 June 2020 £000	Audited Year ended 31 December 2020 £000
Assets			
Non-current assets			
Goodwill	63,164	63,216	63,164
Other intangible assets	4,958	6,047	5,483
Right-of-use assets	7,079	7,385	7,490
Property, plant and equipment	6,996	6,957	6,747
Total non-current assets	82,197	83,605	82,884
Current assets			
Inventories	23,896	22,639	21,994
Trade and other receivables	23,503	20,050	18,415
Prepayments	1,174	1,672	477
Tax receivable	–	–	257
Cash and cash equivalents	7,536	7,082	9,235
Total current assets	56,109	51,443	50,378
Liabilities			
Current liabilities			
Interest-bearing borrowings	–	16,000	–
Lease liability	1,534	1,845	1,459
Trade and other payables	20,896	18,344	17,805
Tax payable	875	–	–
Total current liabilities	23,305	36,189	19,264
Net current assets	32,804	15,254	31,114
Non-current liabilities			
Interest-bearing borrowings	19,907	4,000	19,887
Lease liability	5,742	5,773	6,278
Provisions	378	363	367
Deferred tax liabilities	1,257	1,417	1,459
Total non-current liabilities	27,284	11,553	27,991
Net assets	87,717	87,306	86,007
Equity directly attributable to owners of the Parent Company			
Share capital	30,746	30,746	30,746
Share premium	60,959	60,959	60,959
Other reserves	187	187	187
Shares owned by the Employee Benefit Trust (EBT)	(337)	(372)	(372)
Merger reserve	293	293	293
Merger relief reserve	3,646	3,646	3,646
Currency translation reserve	(46)	711	343
Retained losses	(7,731)	(8,864)	(9,795)
Total equity attributable to the owners of the Parent Company	87,717	87,306	86,007

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	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
Six months ended 30 June 2021, unaudited									
Balance at 1 January 2021	30,746	60,959	187	(372)	293	3,646	343	(9,795)	86,007
Profit for the period								1,857	1,857
Other comprehensive income	-	-	-	-	-	-	(389)	149	(240)
Total comprehensive income for the period		-	-	-	-	-	(389)	2,006	1,617
Transactions with owners									
Share-based payment charge								63	63
Share options settled	-	-	-	35	-	-	-	(5)	30
Balance at 30 June 2021	30,746	60,959	187	(337)	293	3,646	(46)	(7,731)	87,717

For the six months ended 30 June 2020

	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
Six months ended 30 June 2020, unaudited									
Balance at 1 January 2020	30,579	60,959	187	(372)	293	3,599	244	(7,955)	87,534
Profit for the period	-	-	-	-	-	-	-	(841)	(841)
Other comprehensive income	-	-	-	-	-	-	467	(133)	334
Total comprehensive income for the period	-	-	-	-	-	-	467	(974)	(507)
Transactions with owners									
Issue of share capital	168	-	-	-	-	46	-	-	214
Share-based payment charge	-	-	-	-	-	-	-	65	65
Total transactions with owners	168	-	-	-	-	46	-	65	279
Balance at 30 June 2020	30,747	60,959	187	(372)	293	3,645	711	(8,864)	87,306

For the twelve months ended 31 December 2020

	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
Twelve months ended 31 December 2020, audited									
Balance at 1 January 2020	30,579	60,959	187	(372)	293	3,599	244	(7,955)	87,534
(Loss) for the period	-	-	-	-	-	-	-	(2,172)	(2,172)
Other comprehensive income	-	-	-	-	-	-	381	(92)	289
Total comprehensive income for the period	-	-	-	-	-	-	381	(2,264)	(1,883)
Transactions with owners									
Shares issued as consideration	167	-	-	-	-	47	-	-	214
Share-based payment charge	-	-	-	-	-	-	-	142	142
Exchange reserves realised	-	-	-	-	-	-	(282)	282	-
Total transactions with owners	167	-	-	-	-	47	(282)	424	356
Balance at 31 December 2020	30,746	60,959	187	(372)	293	3,646	343	(9,795)	86,007

Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	Unaudited Six months ended 30 June 2021 £000	Unaudited Six months ended 30 June 2020 £000	Audited Year ended 31 December 2020 £000
Net cash from operating activities	6	170	6,203	10,083
Cash flow from investing activities				
Acquisition of property, plant and equipment		(808)	(1,221)	(1,652)
Proceeds from sale of property, plant and equipment*		432	189	105
Acquisition of subsidiary		–	(202)	(164)
Payment of deferred and contingent consideration		–	(218)	(219)
Net cash used in investing activities		(376)	(1,452)	(1,930)
Cash flows from financing activities				
Repayment of lease liabilities*		(1,015)	(792)	(1,550)
Interest on right of use leases		(123)	(131)	(264)
Other interest and loan arrangement fee		(271)	(249)	(603)
Repayment of loan by EBT		35	–	–
Share option payments to staff		(5)	–	–
Net cash generated from/(used in) financing activities		(1,379)	(1,172)	(2,417)
Net change in cash and cash equivalents		(1,585)	3,579	5,736
Cash and cash equivalents at start of period		9,235	3,446	3,446
Exchange differences on cash and cash equivalents		(114)	57	53
Cash and cash equivalents at end of period		7,536	7,082	9,235

*H1 2021 includes net proceeds from disposal of right of use property located at Willenhall £119k. The lease agreement included a clause for compulsory purchase of the property on payment of £300k on termination of lease, shown as repayment of lease liabilities. The right of use asset was disposed immediately, realising £419k, after expenses.

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	Lease liabilities £000	Total £000
At 1 January 2021	19,887	7,737	27,624
Cash flows:			
Repayment	–	(1,015)	(1,015)
Other movements	20	(102)	(82)
Non cash:			
New leases	–	656	656
At 30 June 2021	19,907	7,276	27,183

Notes to the Half-year Report

For the six months ended 30 June 2021

1. General Information

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

The registered number is 09010518.

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

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

This consolidated Half-year Report and the financial information for the six months ended 30 June 2021 does not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. This unaudited Half-year Report was approved by the Board of Directors on 7 September 2021.

The Group's financial statements for the year ended 31 December 2020 have been filed with the Registrar of Companies. The Group's auditor's report on these financial statements was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Electronic communications

The Company does not intend to bulk print and distribute hard copies of this Half-year Report, although copies can be requested by contacting:

The Company Secretary, Flowtech Fluidpower plc, Bollin House, Bollin Walk, Wilmslow, SK9 1DP.

Email: info@flowtechfluidpower.com

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

2. Accounting Policies

2.1 Basis of preparation

The financial information set out in this consolidated Half-year Report has been prepared under International Accounting Standards in conformity with the requirements of the IFRIC interpretations issued by the International Accounting Standards Board (IASB) and the Companies Act 2006 and in accordance with the accounting policies which will be adopted in presenting the Group's Annual Report and Financial Statements for the year ended 31 December 2021. These are consistent with the accounting policies used in the Financial Statements for the year ended 31 December 2020.

2.2 Going concern

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

- The Group generated underlying operating profit of £3.4m.
- The Group is financed by revolving credit facilities totalling £20m (recently extended to November 2023) and £5m overdraft facility, repayable on demand.
- The Group has operated, and is expected to continue to operate, well within its Banking facilities.

The Directors have revisited the forecasts and continue to anticipate a profitable performance in the second half of 2021. Updated cash flow forecasts continue to show the business operating well within the limits of its Banking facilities.

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

The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Notes to the Half-year Report

For the six months ended 30 June 2021

3. Operating Segments

The Group monitors and reports business performance based on three segments: **Flowtech**, **Fluidpower Group Solutions**, and **Fluidpower Group Services**. The segments 'Flowtech' and 'Fluidpower Group Solutions' taken together make up what was previously called 'Components'. For a description of each segment, please see the Editor's note on page 3 of the release. Segment results for the six months ending June 2020 and full year ending December 2020 have been re-stated on a comparable basis.

The Board is 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.

The Directors believe that the underlying operating profit provides additional useful information on key performance 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 profit/(loss) from continuing operations is shown below. The principal adjustments made are in respect of the separately disclosed items and are as detailed at the end of this note. Segment information for the reporting periods is as follows:

	Flowtech £000	Fluidpower Group Solutions £000	Fluidpower Group Services £000	Inter- segmental transactions £000	Central costs £000	Total continuing operations £000
Six months ended 30 June 2021						
Income statement – continuing operations:						
Revenue from external customers	26,688	20,084	8,522	–	–	55,294
Inter-segment revenue	2,789	461	662	(3,912)	–	–
Total revenue	29,477	20,545	9,184	(3,912)	–	55,294
Underlying operating result*	3,962	2,053	194	–	(2,827)	3,382
Net financing costs	(71)	(44)	(2)	–	(297)	(414)
Underlying segment result	3,891	2,009	192	–	(3,124)	2,968
Separately disclosed items (see note 3)	(159)	(376)	(62)	–	(79)	(676)
Profit before tax	3,732	1,633	130	–	(3,203)	2,292
Specific disclosure items						
Depreciation on owned plant, property and equipment	359	65	85	–	–	509
Depreciation on right-of-use assets	295	358	37	–	74	764
Amortisation	121	343	62	–	–	526
Reconciliation of underlying operating result to operating profit:						
Underlying operating result*	3,962	2,053	194	–	(2,827)	3,382
Separately disclosed items (see note 3)	(159)	(376)	(62)	–	(79)	(676)
Operating profit/(loss)	3,803	1,677	132	–	(2,906)	2,706

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

Notes to the Half-year Report

For the six months ended 30 June 2021

3. Operating Segments continued

	Flowtech £000	Fluidpower Group Solutions £000	Fluidpower Group Services £000	Inter- segmental transactions £000	Central costs £000	Total continuing operations £000
Six months ended 30 June 2020						
Income statement – continuing operations:						
Revenue from external customers	22,729	16,395	7,443	–	–	46,567
Inter-segment revenue	2,129	361	504	(2,994)	–	–
Total revenue	24,858	16,757	7,947	(2,994)	–	46,567
Underlying operating result*	2,908	423	(94)	–	(2,305)	932
Net financing costs	(74)	(57)	(3)	–	(246)	(380)
Underlying segment result	2,834	366	(97)	–	(2,551)	552
Separately disclosed items (see note 3)	(597)	(86)	–	–	(798)	(1,481)
Profit before tax	2,237	280	(97)	–	(3,349)	(929)
Specific disclosure items						
Depreciation	790	379	132	–	46	1,347
Amortisation	–	–	63	–	–	63
Reconciliation of underlying operating result to operating profit:						
Underlying operating result*	2,908	423	(94)	–	(2,305)	932
Separately disclosed items (see note 3)	(597)	(86)	–	–	(798)	(1,481)
Operating profit/(loss)	2,311	337	(94)	–	(3,103)	(549)

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

Notes to the Half-year Report

For the six months ended 30 June 2021

3. Operating Segments continued

	Flowtech £000	Fluidpower Group Solutions £000	Fluidpower Group Services £000	Inter- segmental transactions £000	Central costs £000	Total continuing operations £000
Year ended 31 December 2020						
Income statement – continuing operations:						
Revenue from external customers	46,060	33,578	15,443	–	–	95,081
Inter-segment revenue	2,084	581	559	3,224	–	–
Total revenue	48,144	34,159	16,002	(3,224)	–	95,081
Underlying operating result*	5,038	1,790	(1,236)	–	(4,520)	1,072
Net financing costs	(146)	(104)	(6)	–	(498)	(754)
Underlying segment result	4,892	1,686	(1,242)	–	(5,018)	318
Separately disclosed items (see note 3)	(862)	(862)	(240)	–	(502)	(2,466)
Profit/(loss) before tax	4,030	824	(1,482)	–	(5,520)	(2,148)
Specific disclosure items						
Depreciation on owned plant, property and equipment	655	206	309	–	–	1,170
Depreciation on right-of-use assets	646	771	66	–	124	1,607
Amortisation	282	684	124	–	–	1,090
Reconciliation of underlying operating result to operating profit:						
Underlying operating result*	5,038	1,790	(1,236)	–	(4,520)	1,072
Separately disclosed items (see note 3)	(862)	(862)	(240)	–	(502)	(2,466)
Operating profit/(loss)	4,176	928	(1,476)	–	(5,022)	(1,394)

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

Separately Disclosed Items

- Acquisition costs relate to stamp duty, due diligence, legal fees, finance fees and other professional costs incurred in the acquisition of businesses.
- Share-based payment costs relate to the provision made in accordance with IFRS 2 'Share-based payment' following the issue of share options to employees.
- Restructuring costs related to restructuring activities of an operational nature following acquisition of business units and other restructuring activities in established businesses. Costs include restructuring advice, service contract termination costs and employee redundancies.

	Six months ended 30 June 2021 £000	Six months ended 30 June 2020 £000	Year ended 31 December 2020 £000
Share based payment costs	63	65	142
Amortisation of acquired intangibles	526	526	1,090
Changes in amounts accrued for contingent and deferred consideration	–	218	219
Restructuring costs	84	644	921
Acquisition costs	3	28	94
Total	676	1,481	2,466

Notes to the Half-year Report

For the six months ended 30 June 2021

4. Taxation

	Six months ended 30 June 2021 £000	Six months ended 30 June 2020 £000	Year ended 31 December 2020 £000
Current tax on income for the period – continuing operations:			
UK tax	296	(57)	(73)
Overseas tax	149	69	146
Deferred tax credit	(114)	(100)	(66)
Adjustments in respect of prior year/other differences	104	–	(31)
Total taxation	435	(88)	(24)

The taxation for the period has been calculated by applying the estimated tax rate for the financial year ending 31 December 2021.

5. Earnings per Share

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

	Six months ended 30 June 2021			Six months ended 30 June 2020			Year ended 31 December 2020		
	Earnings £000	Weighted average number of shares 000s	Earnings per share Pence	Earnings £000	Weighted average number of shares 000s	Earnings per share Pence	Earnings £000	Weighted average number of shares 000s	Earnings per share Pence
Basic earnings/ (loss) per share									
Continuing operations	1,857	61,493	3.02p	(841)	61,354	(1.37p)	(2,172)	61,424	(3.54)p
Diluted earnings/ (loss) per share									
Continuing operations	1,857	61,702	3.01p	(841)	61,354	(1.37p)	(2,172)	61,488	(3.54)p

	Six months ended 30 June 2021 £000	Six months ended 30 June 2020 £000	Year ended 31 December 2020 £000
Weighted average number of ordinary shares for basic and diluted earnings per share	61,493	61,354	61,424
Impact of share options	209	–	64
Weighted average number of ordinary shares for diluted earnings per share	61,702	61,354	61,488

Notes to the Half-year Report

For the six months ended 30 June 2021

6. Net Cash from Operating Activities

	Six months ended 30 June 2021 £000	Six months ended 30 June 2020 £000	Year ended 31 December 2020 £000
Reconciliation of profit before taxation to net cash flows from operations:			
Profit/(loss) from continuing operations before tax	2,292	(929)	(2,148)
Depreciation on property, plant, and equipment	497	533	1,170
Depreciation on right-of-use assets (IFRS 16)	764	814	1,607
Financial expense	414	380	754
(Profit)/loss on sale of plant and equipment	(181)	70	184
Amortisation of intangible assets	526	526	1,090
Write back liabilities	–	–	(19)
Equity settled share-based payment charge	63	65	142
Change in amounts accrued for contingent and deferred consideration	–	218	219
Operating cashflow before changes in working capital and provisions	4,375	1,677	2,999
Change in trade and other receivables	(5,660)	642	3,455
Change in stocks	(1,743)	1,578	2,207
Change in trade and other payables	2,694	2,705	2,118
Change in provisions	9	(51)	(47)
Cash generated from operations	(325)	6,551	10,732
Tax received/(paid)	495	(348)	(649)
Net cash generated from operating activities	170	6,203	10,083

7. Principal Risks & Uncertainties

In common with all organisations, Flowtech faces risks which may affect its performance. The Group operates a system of internal control and risk management to provide assurance that we are managing risk whilst achieving our business objectives. No system can fully eliminate risk and therefore the understanding of operational risk is central to management processes. The long-term success of the Group depends on the continual review, assessment, and control of the key business risks it faces. The Directors set out in the 2020 Annual Report and Financial Statements the principal risks identified during this exercise, including quality control, systems and site disruption and employee retention. The Board does not consider that these risks have changed materially in the last six months.

8. Forward-looking Statements

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