FLOWTECH
a world of motion

Annual Report 2024

Annual Report and Accounts for the year end December 2024

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Section 1
Strategic Report

Financial highlights

2024

Revenue
£107.3M
(2023: £112.1m)

Gross profit %
38.2%
(2023: 36.8%)

Underlying EBITDA*
£5.9M
(2023: £9.4m)

Net cash from operating activities
£8.7M
(2023: £8.2m)

Underlying operating profit*
£2.7M
(2023: £6.0m)

Net debt**
£15.1M
(2023: £14.7m)

Operating loss
-£25.2M
(2023: -£10.4m)

Final dividend
Nil
(2023: 2.2p)

* 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 intangibles, impairment of goodwill, impairment of right of use assets, share based payments, and restructuring costs. The £3.2m differential between underlying operating profit and underlying EBITDA relates to depreciation charges.

**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.

In year highlights

Customer Growth

High customer retention with like for like customer numbers remaining stable in a challenging market.

Continued customer service and operational improvements resulted in customer complaints reducing by a further 27% on top of the 50% reduction seen in H2 23.

Increased website traffic resulted in online orders growing by 2% (FY23: 170.1K vs FY24: 173.6K) with the percentage of online orders now at over 70% of our product distribution channel (up 5% on FY23) and now up to 26% of total revenues.

Creation and delivery of over 53,000 new Flowtech catalogues to market.

Orderbook increased by 5.1% against December 23 despite weaker external market. Sales pipeline quality and value materially improved during the year with a number of new contracts secured to underpin 2025 growth.

Commercial Excellence

Further focus on commercial discipline resulted in continued gross margin increase of 142bps.

Continued reduction in inventory levels by an underlying £3m, whilst maintaining 97% service availability demonstrating increased operational effectiveness.

Direct and indirect procurement cost reduction of £1m as we scale up the full buying power across the Group.

Product & Service Expansion

Successful acquisition and integration of Thorite, the largest independent pneumatic distributor in the UK, adding seven new branch locations.

Direct access or appointment of all the leading Pneumatic and Compressor brands.

Own Brand

Own brand range (FT PRO) sales outperformed like for like product distribution sales by 7.7% and represented 16% of total sales (excluding Thorite) at the end 2024.

Operate for Less

Restructuring to a simplified operating model results in a further 2.2% year on year, like for like headcount reduction whilst mitigating the required incremental investment associated with increasing the quality of our team and in building new capabilities to support our future growth ambitions.

People, Talent & Capability

Completion of a companywide, Organisational Development plan, leading to a customer focused new way of working, reducing headcount, and increasing efficiency.

Significant changes to our top leader’s cohort, some 60% of roles changed, introducing increased skills and capabilities to scale.

Introduced our new H&S cultural focus and values, FLOW (Feel, Live, Operate and Work Safe), once again we can report Zero RIDDORs (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations).

Flowtech at a glance

Our purpose

To keep industry moving sustainably.

Our vision

To be the Trusted Advisor in a world of motion.

Our values

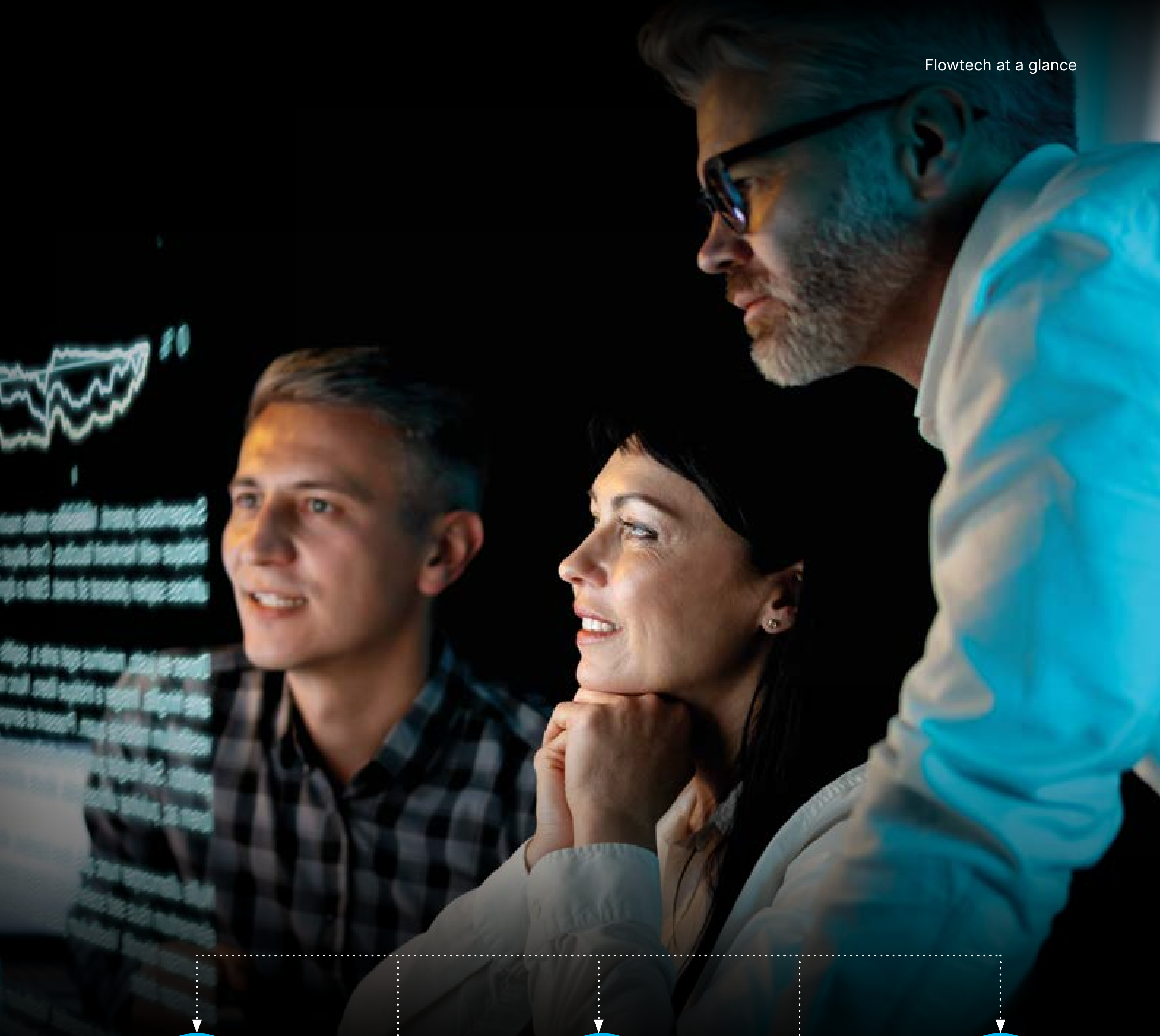
We are **one team**

We work **safely and sustainably**

We are **customer obsessed**

We are **proud** of who we are and what we do

As the largest provider of fluid power products, services and solutions in the UK, Ireland and Benelux, we have the expertise needed to serve our customers. Today, we are a strong market leader in a highly fragmented £30bn European market. We currently have access to around 10% of this through our three markets in the UK, Ireland and Benelux. We have a clear strategy to accelerate value creation for our stakeholders. We are transforming our company and laid some solid foundations in 2024 to ensure we improve, grow and expand.



Operating in 3 countries and exporting to over 30 more

10,725 active customers

620 employees

2,300 suppliers

73,000 stocked products

Chair's statement

Our Year

2024 was a year of execution against our stated strategic objectives and transformation plan in order to grow our addressable market and underpin future profitable growth. We have focused on protecting the business against a challenging market backdrop and believe the business is now more robust. During the period I believe we have made solid progress on the path towards transforming the company, including in the delivery of our Strategy and Performance Improvement Plan (PIP), building the stable and scalable platform needed to support future growth.

I am pleased with the strategic progress being made by a highly energised, determined and galvanised new team under the leadership of Mike England in his first full year at the helm.

2024 was certainly not an easy year in terms of the external markets we serve. The well-documented market headwinds persisted throughout the year with the British Fluid Power Association (BFPA) consistently citing market decline of above 10% in the UK in Hydraulics and Pneumatics and macro indicators continuing to weaken particularly in the second half of the year as consumer and industry confidence fell.

Although key operational and strategic milestones have been reached in our PIP, I am disappointed with the financial outcome, our like for like revenue declined by 8.6% as customers reduced volumes, destocked, and delayed project timelines. Whilst we outperformed the overall market trend, a decline of 8.6% reflects the tough trading conditions. However, our improved gross margin to 38.2% in conjunction with our strengthened sales pipeline and order book, as a result of a number of new and exciting orders secured for execution in 2025 is a positive lead indicator of the team's commitment and execution in 2024.

The Board has been particularly encouraged by the Thorite acquisition which, whilst only taking place in August 2024, is demonstrating strong performance and success in terms of integration and strengthening our pneumatics, automation, vacuum and compressed air offer; a key strategic aim. In the first 18-week period of ownership to the year end the business generated an underlying operating profit of £0.1m, ahead of our initial expectations. The deal structure was such that the immediate cash outlay of £0.35m was more than repaid by the approximate £0.4m upside relating to the recovery of book debts. In addition, after settlement payments totalling approximately £0.7m we secured title to inventory which we have fair valued at £2.1m. Overall negative goodwill associated with the transaction was £2.2m as a result of acquiring assets at less than fair/market value, accounted for as a separately disclosed credit. Thorite performance has exceeded expectations providing confidence in the stability and growth of this channel into 2025. Including the Thorite contribution, 2024 full year revenues declined by only 4.3%.

With lower-than-expected revenues driven by the persistent market headwinds, we are reporting underlying EBITDA at £5.9m. This excludes the significant profit arising from negative goodwill of £2.2m, in relation to the Thorite acquisition. Separately disclosed items total £27.9m; this includes £25.6m in respect of impairment of goodwill, intangible assets and fixed assets. The impairment calculation is based on assumptions for several years into the future and is extremely sensitive to assumptions on revenue growth and the discount factor applied to adjust future cash flows to net present value. Recent announcements relating to trade tariffs were non-adjusting post balance sheet events; as such any associated impact (which we do not deem to be material) has not been taken into account in the cash flow forecasts used for impairment testing.

Net debt** increased by £0.4m to £15.1m at year end (2023: £14.7m) with the increase mitigated by cost reductions and strong working capital management, most notably an underlying £3m inventory reduction. As a board, we remain very focused on the management of working capital and cash generation. We are comfortable with the current debt profile of the business, which provides ample liquidity and remains within our stated bank covenants.

The Board has reviewed the Group's capital allocation priorities which remain focused principally on supporting the implementation of our strategic plan with appropriate investment into the business to drive future profitable growth. Furthermore, the Board believes the market could offer attractive opportunities for further bolt-on acquisitions at distressed prices. Accordingly, the Board has given careful consideration to the payment of a dividend in respect of the year ended 31 December 2024 and has concluded that saving the cash that would be otherwise paid as a dividend is in the best interests of the Company, reducing leverage and retaining capital allocation flexibility. In 2024 the dividend payment in respect of the year ended 31 December 2023 was approximately £1.4m.

Trading in the first quarter of 2025 has started positively and in line with our expectations. Notwithstanding the continued depressed market conditions and global uncertainty, we now have an enhanced platform in place from which to grow, take market share and meaningfully improve the Company's financial results in the coming year and into the future.

Building our scalable platform for profitable growth

2024 was an important year of transition and execution for Flowtech and whilst we are disappointed with the decline in revenue, our performance was ahead of the external market trends, implying share gains which is supportive of our move into pneumatics. As such, the Board is pleased with the progress made in delivering the necessary restructuring and underlying performance improvement interventions. There are more details on this on page 19.

Delivering change is not easy and I have been impressed with the determination and resilience of the new leadership team in remaining tightly focused on the customer and delivering strong business performance whilst undertaking the step changes needed to enable the solid structural and commercial foundations for scalable growth.

This focus has concentrated on three key areas:

Simple – In the year, we fully completed the restructuring to a leaner and more scalable operating model, rebranding under One Flowtech and re-aligning the organisation around our newly launched single value proposition, powering up our leadership, commercial and operational capabilities.

Customer First – Implementing important initiatives focused on improving the customer experience, including enhancements to the current website, the launch of the new catalogue and steps taken to address key customer issues further reducing customer complaints.

Scalable – Focused on delivering efficiency and service improvements across the product distribution network and within the manufacturing and service locations, introducing standardised and consistent work methods resulting in productivity gains and scalability.

The Board is pleased with the steps taken in delivering on our three pillar Strategic Plan; Customer First, The Power of One and A World of Motion, again covered in more detail on page 15. Highlights in the year include:

- Completion of the rebranding of the business to one Flowtech and our own brand to FT Pro.
- The launch of the new Flowtech Value Proposition across all three regions.
- Building the new Digital Platform ready for launch during H1 2025.
- Acquisition and integration of the business and assets of Thorite, expanding our product range and geographical footprint in the UK.

Our commitment to a safer and more sustainable world

Our refreshed purpose-led culture and strategy underpins our ESG commitment, and I am again pleased to report that we have continued to build on the good progress already made. Our updated ESG strategy is now ready, and we will be implementing this during 2025.

In terms of progress, over the past year we have:

- Further increased focus and leadership attention on the health, safety and wellbeing of our people, customers, suppliers and stakeholders. We have had zero RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) incidents and, due to improved reporting, have again increased near miss reporting by over 100%. This is reflective of improved reporting, rather than an increase of incidents.
- Continued to focus on our gender diversity goals with 24% of our top 60 leaders now female.
- Our focus throughout 2024 has been on compliance with data recording, ensuring we have an accurate picture of carbon usage across our whole business. Whilst this does result in an increase in emissions reported, it does give us a robust baseline.

Our Investors

Mike and Russ have continued with their mission to reinvigorate our focus to increase our investor facing activity. I have been encouraged during 2024 with a number of interactive investor visits to Flowtech locations, enabling first-hand demonstration of the progress and improvements being made. This has given us the opportunity to demonstrate the progress of the Performance Improvement Plan and our refreshed and refocused strategy. We are committed to maintaining an active and open dialogue with our investors. We thank our investors for their continued support.

We are also pleased to welcome Singers as a Flowtech's Joint Broker; they came on board in September 2024 and issued an initiation paper to market in January 2025. Panmure Liberum remain as the Company's

Nominated Adviser and Joint Broker.

Our people and the Board

The team have worked tirelessly to improve the operational performance of the business, driving improved gross margins through commercial pricing and cost control, delivering enhanced service levels and on-time deliveries, further strengthening the senior leadership team and optimising all aspects of the business.

I remain encouraged by the determination and resilience of our new leadership and the energy demonstrated by our people during a period of rapid change and very difficult external markets. We have made significant progress towards the delivery of our strategy and improvement plan and I would thank everyone for their invaluable contribution.

I am also pleased with the progress made in developing our Board with a varied and relevant experience combined with a positive but challenging approach to strive for the high performance expected by our customers. Mike England and his other senior leadership hires are now well established in the business, and it is encouraging to see the new depth of relevant industry and leadership knowledge and experience in action during 2024 as we have set the business up in the right way for scalable growth.

I would like to sincerely thank the Board members for their continued commitment and positive contributions.

Looking ahead

With the rebranding and restructuring now complete, and the new website launch expected in H1 2025, we expect the improvements made across 2024 to bear fruit. We believe we have a strong, stable, and scalable platform for growth into 2025 and beyond.

As we look ahead to 2025, we expect continued and challenging external market conditions to persist but remain cautiously optimistic. We have completed the vast majority of the Performance Improvement Plan and business transformation, and the Leadership Team are now focused on delivering a sustained period of stability and market share growth. We remain confident in our strategy which serves to unlock the full potential of the Group across the 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 after the strategic and operational delivery achieved in 2024. Looking forward, with a broader addressable market and customer base and the new digital platform being launched, there are a number of key components to driving improved momentum in 2025, and I am confident we have the right team in place with an unwavering determination to now build on a solid foundation for sustained growth and value creation in the years to come.

Roger McDowell
Chair

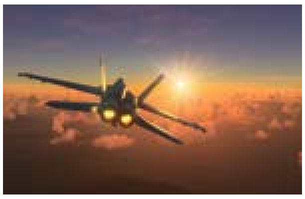
The value we bring

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. Thorite adds 174 years of expertise in the specialist area of pneumatics, vacuum and compressed air, further enhancing our already strong supplier brands, product and service offerings.

Today, everything we do at **Flowtech** is focused on keeping business moving, whether that's supplying a product or designing and building a complex engineered solution.

Our primary customers are Distributors & Resellers, End Users and Original Equipment Manufacturers. Around two thirds of our revenue is generated in serving Maintenance, Repair and Operations (MRO) customer needs and a third serving Original Equipment Manufacturers' needs.

We operate across a broad range of vertical industry sectors through our Indirect and Direct sales channels. These include:


Aerospace & Defence


Aggregates Construction Mining


Agriculture


Automotive


Automation & Systems


Food & Beverage Packaging FMCG


Metals & Heavy Engineering


Off Highway


Pharma Medical Devices


Process Oil & Gas Petrochem Chemical


Transport,Shipping, Marine & Air


Utility, Waterways, Infrastructure, Waste Energy

Our Value Proposition is categorised into three areas:

1. We are a high service **technical product provider** across power, motion and control.
2. We design, **manufacture, repair** and **overhaul assets.**
3. We deliver major **engineering projects** and **onsite solutions.**

We add value for our customers by helping them with some of their biggest issues, including:

People Capabilities and Skills
– with a shortage of engineers in the industry we can provide the technical experience and expertise to help bridge the gap.

Working capital efficiency
– with some £30m of inventory available for same day dispatch, we are trusted by our customers to manage the impacts of inventory and product availability.

Increase uptime and yield
– impacts on costs, productivity and throughput matter, we can help keep operations moving with our high service product distribution.

Product & Technical innovation
– working with the leading brands we can support the latest industry and sector innovations.

Safety and Sustainability
– with increased mandatory requirements and the subsequent reputational risk, we can support our customers to operate safely and sustainably.

In doing so, we support our broad customer base, serving their needs whether they are designing, building, maintaining or 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 and 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

FT PRO®
for the engineer

Our own brand – **FT Pro** – brings together the previous ten leading brands that we had within the business into one single brand leaders.

FT Pro offers an extensive range of high quality, professionally engineered products, designed to suit the unique requirements of all industries. Our products are designed by engineers to be reliable and long-lasting, ensuring your equipment operated smoothly and reliably.

With **FT Pro** products, our customers can be confident their applications will run effectively, no matter how demanding the conditions.

Our CEO review

“Controlling the controllables in a difficult market whilst building the solid, stable and scalable platform needed for profitable growth”

Reflections of the year

We entered 2024 anticipating a market recovery, however, trading conditions remained difficult throughout the year. As a newly formed leadership team, we had a steely determination to quickly implement and deliver the lion’s share of the Performance Improvement Plan in 2024 to deliver a solid, stable and scalable platform for profitable growth into 2025 and beyond. I am pleased to report that much of the heavy lifting has now been done.

Controlling the controllables

Our optimism of any market recovery was short lived as market headwinds persisted through the first half of the year and continued to deteriorate further in the second half across all of our three geographical regions – UK, Ireland and Benelux. This was reflected in Purchasing Managers Index (PMI) and British Fluid Power Association reports citing more than 10% decline.

We took a mindset of ‘controlling the controllables’, taking necessary actions to deliver further gross margin improvements, tight control and a reduction in costs and making interventions to optimise and reduce working capital throughout the year. We pivoted to higher growth customer segments ensuring continued market share gains, resulting in a strengthening of our sales pipeline and forward order book. As we look into 2025 we note some exciting projects that are due to complete. Across product distribution, we maintained consistent customer order frequency but saw a notable reduction in order value, a common trend across the industry as volumes reduced. There was a slowdown particularly in construction and Original Equipment Manufacturers across all three of our regions in the UK, Ireland and Benelux, with many projects being stopped or delayed as destocking and/or cost control measures took hold.

Holding firm to the plan

Despite the challenging end markets, we’ve completed the restructuring to the new, simplified operating model, strengthening the leadership and organisational effectiveness with a concentration on firing up our growth engines. The rebranding to ‘One Flowtech’ was successfully completed across all three regions with a clear purpose, vision, and values being introduced to galvanise our people and capabilities together. This in parallel to the development and launch of our new, single value proposition combining the extensive Product Distribution and Engineering capabilities across the Group to bring greater value to our customers, from the supply of a single component up the value curve to designing, building and installing complex engineering solutions.

We were proud to welcome Thorite to become part of Flowtech in August 2024. Thorite is a strong and trusted UK brand for over 170 years of heritage. The acquisition brings a wealth of expertise, knowledge, product and service capability across Pneumatics, Vacuum and Compressed Air to support the expansion of our end user customer base and taking us further into the world of motion. Pleasingly, Thorite exceeded expectations in Q4, and we have a highly motivated and re-energised team focussed on delivering growth.

Taking on board customer feedback, we've focussed on making some important improvements to the existing website experience during the year which has led to increased traffic and conversion rates. In parallel, we are well on track with the development of our new digital platform to be launched to the market in H125, which will replace our legacy platforms, enable a step change in speed and customer experience including a range of new data management and marketing tools to improve new and existing customer interactions.

Our people

Above all, it's our people that have made the difference in what has been a challenging year both in managing through a difficult external market and delivering the important step change across the Group to deliver on our strategy and improvement plan.

We thank our people sincerely; they have embraced our vision for a brighter future and gone above and beyond for our customers.

There is growing confidence that the broader growth strategy and actions taken to improve operational efficiency within the business will drive strong returns and improved shareholder value, further aided when the market recovers.

Reviewing 2024

Like for like revenues have declined by 8.6% in the year as the rate of market related decline across all three regions has outpaced our positive achievements in winning new customers, retaining and strengthening our existing customer base and delivering improved gross margins.

This revenue decline has been multi-faceted with the larger impact being reduced volumes from Original Equipment Manufacturers, as they have continued to de-stock and larger engineering projects being suspended or delayed. This was more prevalent in the second half of the year with Ireland in particular being impacted by the Aggregates & Construction sector (in particular the OEM Crushing & Screening market) which saw more than 20% reduction in volume.

Underlying EBITDA for the year ending 31 December 2024 was £5.9m. We have also achieved a profit recognition of negative goodwill of £2.2m, which is separately disclosed. We incurred an impairment charge of £25.6m, the detail of which is covered in the CFO statement on page 32.

As a team, we've remained very focused on the management of working capital and cash generation and are comfortable with the current debt profile of the business, albeit this remains an area of focus.

Leadership focus has remained firm on executing strongly across all areas of our Performance Improvement Plan, designed to fix many of the core basics required to improve customer service and performance. The business is now a more customer-centric, lean and scalable platform for growth.

This is broadly structured under three headings where progress updates in the year have been summarised.

A new, simplified operating model

To unlock the full potential of our people and capabilities across the Group.

We have successfully rebranded under ONE Flowtech, embedding a new single integrated organisational model, across the three regions, aligned to our new value proposition and corresponding go-to-market approach. In doing so, this has strengthened commercial, operational and functional leadership and human capital capabilities, creating new departments and roles including changing 60% of the top 60 leaders in role during the year.

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.

Taking on board customer feedback throughout 2023, we were pleased to launch the new Flowtech Catalogue, something that many of our customers value, in April 2024, with 53,000 catalogues deployed across our trusted Partners. The new catalogue has been received extremely positively, restoring Flowtech as the leader in the market, with this vital industry publication.

Over the year, we were pleased with the progress made by our sales teams, taking our new value proposition to market and building the sales pipeline, increasing the value of opportunities by over 50% and securing a number of new contracts for 2025 delivery. As a result, the Group orderbook at the end of 2024 was at the highest level to date.

With improvements made to our on-time-in-full service, existing website and continued focus on the speed of response to customer enquiries, we are pleased to report that customer satisfaction measures have continued to improve. This is a testament to the focus of the teams which has continued to win back customer confidence and renewed enquiries.

Getting back to doing the brilliant basics

Delivering operational and service excellence

We have implemented material changes to improve the operational service and pricing mechanics across the business, recovering a lack of commercial and operational attention and regaining customer confidence which had been significantly eroded over the past years. This being a key factor in the gross margin, service and efficiency gains made.

Gross margin has improved by 142bps in the year through our commercial focus and discipline. The careful management of operating overheads throughout the year and restructuring work now completed has delivered a net £1.5m annualised cost reduction into 2025. In addition, our newly formed Group Procurement Team have delivered over £1m of indirect and direct procurement savings through enhanced capabilities and rationalisation across the group.

Continued focus on working capital management and service excellence enabled a reduction in inventory of £4m whilst sustaining >97% availability on our fastest moving lines.

Executing well on our strategy

We have defined a strategic framework consisting of three pillars and six defined EBITDA growth engines. 2024 has been an important year, with strong progress in all three areas.

1. Customer First
Diverse customer base and omni-channel approach.

We are well on plan in building the new digital platform and associated technology improvements; ready for testing in Q1 2025 and launch in Q2 2025. This includes a new, improved customer website interface, enhancement of core technology infrastructure with the successful implementation of a new technology integration layer, new customer data platform, new content management system underpinned by some big steps to improve our product information management capability and data quality.

2. The Power of One
Differentiated value proposition delivered through one team.

We have completed the rebranding of the company to 'One Flowtech' across all three regions embedding our purpose, vision and values. We have built and enhanced core Group capabilities in Procurement, Product Management, Communications & Marketing, Digital, Data, HR and Finance meaning that we bring standards and consistency in our processes, ways of working and are delivering greater efficiency gains.

One primary focus in 2024 has been to reset our relationships with our key strategic supplier partners. Now we are operating as one Flowtech with clarity of our value proposition and growth plans, we've seen far greater levels of understanding and engagement from our suppliers and have put in place refreshed growth plans.

We also brought together ten of our leading own brands into one single brand, FT Pro. Offering an extensive range of high quality professionally engineered products, we launched FT Pro to market and began brand building and awareness to initiate greater levels of growth. This was just the start of a longer-term plan to grow and expand the FT Pro range. We were encouraged to see growth in FT Pro at 7.7% higher than the overall business, bucking the trend of the wider market. FT Pro now represents 16% of total revenues.

3. A World of Motion
Expanding our products, services and geographical reach

The acquisition of the business and assets of Thorite in September brings market share gains and expands our brand, product and service offering in pneumatics, vacuum and compressed air. This combined with 1,000 collective years of relevant industry experience across colleagues in seven branches, expanding our technical capability and geographical footprint in the UK. The integration has been successful, and we are pleased to report performance ahead of plan with £4.5m of revenue over 4 months, acquired from administration and turned around from a £1m annual loss to making a positive profit contribution in the first 18 weeks of ownership and with full recovery of the debt and cash outlay.

Our commitment to ESG - helping to build a safer and more sustainable world

We have continued to increase our focus on ESG within three key areas. In parallel, we have completed a detailed analysis of our ESG activities, and I'm pleased with the progress we made towards renewing our strategy, which will launch in 2025.

Our environment and becoming more sustainable

Our focus throughout 2024 has been on compliance with data recording, ensuring we have an accurate picture of carbon usage across our whole business. Prior to 2024, the business operated as separate business units, so this work has been essential to standardise our approach.

In 2025 we will be launching our updated ESG strategy. Within that we will detail our targets to manage and reduce our environmental impact, along with the Key Performance Indicators we will use to assess progress against these targets.

Our culture, health, safety and wellbeing of our people

Focus on further deployment of our Health & Safety improvement plans has resulted in increased reporting of near misses, demonstrating a step change in awareness and management attention and importantly, zero RIDDORs. At the end of 2024, we launch our new FLOW Safe programme. A long-term awareness and improvement programme built around FLOW – Feel Safe, Live Safe, Operate Safe and Work Safe. This is gaining good momentum and keeping safety and wellbeing at the forefront of our people's minds.

We were proud during 2024 to initiate our partnership with CALM (Campaign Against Living Miserably) to raise funding towards suicide prevention and mental health causes.

Our governance and policies as we've now become One Flowtech

Ensuring we have the right foundations in place to support our move to One Flowtech is vital. We have introduced a companywide tiering system to ensure consistency and transparency across all roles across the organisation. We are also undertaking a full review of all our policies to ensure they support our updated ways of working.

In summary

We are satisfied with the progress we have made implementing our strategic plan, whilst recognising that this has been a difficult year due to challenging end markets. With further operational improvements delivering enhancements to gross margins, working capital optimisation, service levels, and operational efficiencies, we are confident that we are controlling the controllables. The group rebranding and restructuring are complete, and the successful integration of Thorite is well ahead of our expectations. With much of the business transformation concluded we have a firm, stable and scalable platform from which to deliver profitable growth into 2025 and beyond.

We recognise the likelihood of continuing challenging markets, and we are not relying on a market recovery to drive our progress. Our mantra is to make our own success, and we head into 2025 with cautious optimism. The pipeline and order book are materially stronger entering 2025 than at any point in the past. We equally have a close eye on gross margin optimisation and generating accretive EBITDA. Actions to deliver £1.5m annual net cost savings during 2024 and return Thorite to positive profitability are key enablers to this, with any market recovery seen as upside in our view. We are well positioned, despite the persistent market headwinds and remain steadfast, determined and confident in our strategy.

Mike England
CEO

Our strategic plan 2023-2026

Our Strategic plan covers the period 2023 – 2026 to deliver mid-term market growth and value creation. Despite the persistent market headwinds, we remain determined to execute strongly on our plan. **Our approach is simple:**

Customer First

The Power of One

A World of Motion

We have a diverse customer base and omni-channel approach in a highly fragmented market.

Customer First

Our customers' needs are changing with increased digitisation across products and services. The need to operate machines and operations more sustainably drives increased adoption of electrification and also 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.

We launched our new catalogue in April 2024. Based on customer feedback, we returned to a trusted format, with one catalogue covering our full offer. This received incredibly positive feedback from our customers. We've made improvements to our existing web platform which has resulted in increased traffic albeit the customers continue to find the experience challenging. Therefore, and importantly, we are pleased to report that we are on track to launch our new and improved web platform in H1 2025, with much of the foundation work completed in H2 2024. We've been working hard to improve our service, and we see key operating metrics trending in the right direction with customer and fulfilment centre complaints down, product availability up, sales force productivity up and the order book building with a visible and improved sales pipeline.

We will deliver a differentiated value proposition, delivered under one brand, with a lean, efficient operating model.

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.

In 2024 we completed the rebranding work and now have a consistent approach, as one Flowtech, across our organisation, including all UK, Ireland and Benelux locations. Transitioning from 10 cash generating units to 3. This has also given us the opportunity to promote our full value proposition, giving us the ability to upsell and cross sell to our existing customers, as well as introducing new customers to our wide-ranging capabilities. As part of this work, we underwent a wholesale restructure of the business to ensure we were set up in the right way to deliver for our customers. We completed a critical review of all teams and roles to ensure we are operating effectively and efficiently and setting ourselves up to scale and grow in the future.

Expanding our products, services and geographical reach to increase market penetration.

A World of Motion

The fluid power market is changing and we need to evolve to meet our customers' needs and accelerate our commercial advantage. Expanding our product and service offerings across the wider 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. 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.

Whilst this is a longer-term element of our strategy, in 2024 we successfully acquired Thorite, a specialist in pneumatics and air systems controls. The transition and integration of the Thorite business has gone incredibly well. We have right sized the business and worked with the team to bring together the Thorite operation with the core Flowtech offering. This was a great opportunity for us to further strengthen our pneumatics offer, as well as adding seven UK branch locations to our footprint. Overall, the acquisition has been very successful and is now operating profitably.

6 Our six growth engines

Our strategy is underpinned by our six growth engines. Our strategic imperatives for 2024 were Commercial Excellence and Operate for Less.

Reminder of our plan Margin engines

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

Developing

We have made significant progress in our focus areas, this includes:

Commercial excellence

Optimising inventory and availability: We have reduced stock value by **£4m**, whilst maintaining **97%** stock availability.

We have developed a robust sales pipeline across our eight sales channels to ensure we have visibility of upcoming opportunities and a forum to discuss and evaluate these. The value of the sales pipeline has increased by over **100%** in the past 12 months. This has also given us the ability to work more collaboratively across the business where opportunities touch more than one team.

Operate for less

We have continued to optimise efficiency in our fulfilment centre, with headcount down **23%** from January to December 2024 and despatch lines by headcount up **7.5%**

Our strategic roadmap

	Key deliverables	Growth engines	Market	Self help	Capex help	Margin
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 • Inorganic opportunities	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				

Initiating Developing Advancing Embedded 2024 strategic imperatives

In 2024 we made good progress against our strategic roadmap. We are well on track in building the new Digital Platform which will provide enhanced website and marketing capability across all three regions. In addition, we have implemented a Data-Integration capability to create greater levels of cross-Group visibility with a single view of our customers and inventory as examples. The Integration layer provides a lower cost connectivity and enablement across our Enterprise-wide Systems. Market conditions did mean we had to rephase some of our planned activity.

Performance improvement plan

Delivering what we set out to do

In the summer of 2023, we set out our Performance Improvement Plan to improve a number of areas of our business that required some immediate attention and lay solid foundations to enable us to grow and scale as we move forward. Our objective was to deliver a more customer-centric, lean and scalable platform for growth.

Our Performance Improvement Plan is underpinned by 3 key principles:

1. **Simple**
   Introducing a new, simple operating model with a new team releasing the full potential of our people and our capabilities.

2. **Customer Centric**
   Decision making and activities centred around the customer with a refreshed growth focus.

3. **Scalable**
   Re-focus on doing the basics brilliantly whilst improving our operational technology infrastructure to power future growth.

Throughout 2024, we built on the progress we made in the previous six months and have been pleased with the results:

Tightly managed overheads with **2.2%** like for like headcount reduction in FY24. This has served to partly offset investment we have made to improve the quality of capabilities and the infrastructure to support our growth ambitions.

Focus on commercial excellence delivered **142bps** of gross margin improvement.

Continued focus on working capital management delivering **£6.7m** improvement.

Underlying **£3m** reduction in inventory with product availability remaining stable at **97%.**

Restructured sales and marketing, new catalogue delivered and new web platform on track for delivery in H1 2025.

Improved customer experience, complaints down a further **27%.**

Fulfilment centre efficiency gains, **8%** increase in operator capacity and **23%** headcount reduction

We have now achieved what we set out to with our Performance Improvement Plan and focus in 2025 will be on progressing our strategic plan.

Environment, Social and Governance (ESG)

Environmental

Carbon measurement

Our focus throughout 2024 has been on expanding our data collection, and aligning compliance with data recording, ensuring we have an accurate picture of carbon usage across our whole business. Prior to 2024, the business operated as separate business units, so this work has been essential to join together and standardise our approach, to include far more data collection, providing one version of the truth. We have also extensively increased what we're measuring, to include all fuels including stationary, mobile, and third party, all utilities, waste, refrigerants, freight, travel, hotels, and material usage. All reported data is measured, or captured via transfer receipts unlike previous years, assuring increased reliability and accuracy.

We have engaged Carbon Responsible to support with our data collection, target setting and compliance. Each of our sites, has been trained and educated on our new approach and now has access to a carbon portal, to enter live information at a local level so as not to rely on a central perspective.

Our new partnership and reinvigorated approach to recording Greenhouse Gases again provides a consistent and solid baseline that we can use to set out clear targets as part of our ESG strategy.

Carbon reporting

We have seen an increase in our emissions compared to FY23. With the exception of the addition of the seven Thorite sites, we believe this can largely be attributed to an increase in disclosure in FY24 compared to FY23, as we have improved and expanded our emissions data capture.

2024 reported figures will now be used as a Baseline, providing an accurate reflection of current usage and emissions.

	2024		2023	
	tCO2e	Kwh	tCO2e	Kwh
Scope 1 (gas consumption)	615	2,655,198	452	2,012,554
Scope 2 (electricity consumption)	341	1,526,459	232	995,551
Scope 3 (other direct emissions)	3,402	523,132	2,353	307,218
TOTAL	4,358	4,704,789	3,037	3,315,323

Overall, our Greenhouse Gas (GHG) emissions increased in FY2024 by 41.53% compared to FY2023 (+1,279.14 tCOSe). It should be noted that 81.74 tCO2e (6.39%) of this increase is attributable to the addition of seven Thorite locations to the Group.

In total, **Scope 1** emissions increased by 36.01% (+162.94 tCO2e). 19.02 tCO2e (11.67% of this increase) is attributable to refrigerants, which were reported for the first time in FY2024, and which may fluctuate year-on-year, and 27.20 tCO2e (16.69%) is contributed by Thorite. Within Scope 1, there was a 10.86% (+26.00 tCO2e) increase in stationary fuels, of which, 7.72 tCO2e (30%) is contributed by Thorite, and a 55.36% (+117.92 tCO2e) increase in mobile fuels, of which, 19.48 tCO2e (16.52%) is contributed by Thorite. Remaining increases are attributable to improved reporting within Scope 1, in particular for mobile fuels.

Scope 2 emissions increased by 29.25% (+77.28 tCO2e). Addition of Thorite locations accounts for 13.13% of this increase (10.15 tCO2e). Owned electric vehicle emissions increased by 15.76 tCO2e, accounting for 20.39% of the total Scope 2 increase, and indicating the increase in Electric Vehicles in Flowtech's fleet.
The remaining increases can be attributed to improved reporting of electricity data across its locations and increases in consumption.

Scope 3 emissions increased by 43.97% (+1,038.92 tCO2e). Thorite locations contributed only 44.40 tCO2e (4.27%) to this total. Freight contributed the largest portion of the increase (28.99% of the Scope 3 increase, +301.16 tCO2e compared to FY2023), followed by purchased goods and services (25.96%, +269.67 tCO2e), of which, 269.54 tCO2e (99.95%) is from material use which was reported for the first time in FY2024. 57.18% of the material use emissions total (154.20 tCO2e) is from metal use reported by PFS. A further 41.08% (110.77 tCO2e) is from combined paper, board and plastics reported by Pimbo Road. The third largest contributor to the Scope 3 increase is waste generated in operations (18.47% of the increase, +191.85 tCO2e compared to FY2023). The largest contributors to waste emissions are wood reported by Pimbo Road (98.32 tCO2e, 38.06% of total waste emissions), and commercial and industrial waste reported by Gloucester (83.57 tCO2e, 32.35% of total waste emissions). Employee commuting increased by 112.43 tCO2e in FY2024, accounting for 10.82% of the Scope 3 increase, largely due to an increase in reported average FTE. Business travel increased by 103.06 tCO2e, accounting for 9.92% of the Scope 3 increase. Lastly, Fuel and energy related activities not included in Scope 1 and 2 increased by 60.76 tCO2e, and is directly related to the increase in reported fuel and energy in Scopes 1 and 2.

Excluding the addition of Thorite locations, the emissions increases may be attributed to an increase in disclosure in FY2024 relative to FY2023, as we have improved and expanded its emissions data capture. It is expected that our measured emissions will continue to increase as it continues to expand and improve its reporting.

Intensity

Two intensity metrics have been calculated for our emissions, one based on full-time equivalent employees and one on revenue. Intensity metrics are a useful way to assess changes in emissions within a growing company, as whilst absolute emissions increase, the impact per chosen unit can reduce. Reporting intensity metrics are also a requirement of UK SECR reporting. In comparison to FY2023, the FY2024 emissions per FTE have increased by 25.66% (from 6.31 to 7.93 tCO2e/FTE. The FY2024 emissions per £100,000 of revenue have increased by 47.88% (from 2.75 to 4.07 tCO2e/£100,000 revenue); measured emissions have risen whilst revenue has decreased.

Intensity Metrics	FY24	FY23	% change from FY23
Revenue (£m)	107.3	111.9	-4.38%
FTE	550	488	12.70%
Carbon intensity per £100,000 (tCO2e/FTE)	4.07	2.75	47.88%
Carbon intensity per FTE (tCO2e/FTE)	7.93	6.31	25.66%
Scope 1&2 carbon intensity per £100,000 (tCO2e/£)	0.89	0.64	39.63%
Scope 1&2 carbon intensity per FTE (tCO2e/FTE)	1.74	1.41	23.40%

Waste Management

At the beginning of 2024, we only collated data for non-hazardous and general waste recycling. By the end of 2024, we now collect and report on hazardous and WEEE (waste electrical and electronic equipment) as well, providing a complete picture of our waste management. This will be used as a baseline as we set targets to further reduce waste where we can, this will of course include working with our supply chain to reduce packaging.

Fleet Management

In 2024 we refreshed our approach to fleet management, working with a new fleet provider and build on our green approach to cars and commercial vehicles.

In 2024 our overall fleet, including taxable cars and light commercial vehicles, consisted of 155 vehicles. 54% of this fleet are either hybrid or fully electric (2023: 53%). Of our taxable fleet 81% of vehicles are hybrid or fully electric (2023: 85%). The reduction here is due to nine of the 11 cars we inherited from Thorite having internal combustion engines. As these leases end, these cars will be replaced with hybrid or fully electric cars, in line with our policy. Of the 17 new taxable cars added to the fleet in 2024 100% of these were hybrid or fully electric (2023: 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.

Energy Usage

Organisations that qualify for ESOS must carry out ESOS assessments every 4 years. These assessments are audits of the energy used by their buildings, industrial processes and transport. The latest ESOS report captured energy consumption for the calendar year 2022. The basis for the report is multi-site Display Energy Certificate Advisory Report surveys produced by an external qualified assessor. The analysis for 2022 showed a net reduction in energy consumption of 652,327 kWh, compared with the previous ESOS period.

Total energy consumption (2022): 3,605,620 kWh (down from 4,257,947 kWh in the previous ESOS period).

- **Breakdown:**
- **Buildings:** 2,384,480 kWh (1,311,047 kWh electricity, 1,078,178 kWh gas, adjusted for renewables).
- **Transport:** 1,221,140 kWh (company vehicles, private mileage, and equipment fuel), accounting for 35% of total consumption.

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 outbound logistics with a focus on customer satisfaction, on time in full deliveries and creating the most efficient routing system.

Managing our climate-related risks and opportunities

We have a clear process for managing our risk profile, which includes climate-related risks and this is outlined on page 35. As part of this process we identify, assess and manage climate related risks and opportunities.

Our principle climate-related risk is a force majeure linked to climate change that could cause serious supply chain or economic impacts. This is review annually and we ensure we have the appropriate mitigating actions in place (these are detailed on page 39).

Our plans and ambitions

In 2025 we will be launching our updated ESG strategy. Within that we will detail our targets to manage and reduce our environmental impact, along with the Key Performance Indicators we will use to assess progress against these targets.

Social

Our People

Setting ourselves up in the right way to support our people and deliver our strategy.

Employee statistics

Demographics	2024	2023	2022
Number of employees*	596****	582	595
Retention**	66	71%	72%
Length of service***	7.9 years	7.8 years	7.9 years

*Annual average

**(1-leavers during 2023/average number of employees)

***Average number of years served by current employees

****Thorite colleagues account for 28 of this figure; at the year-end Thorite had 72 employees but this figure reflects average headcount across the year.

Health and safety

In 2024, we are pleased to report we had zero RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) related incidents. We introduced an updated Near Miss process and we have seen a significant increase in Near Miss reporting. Preventative action in the form of the near miss reporting process enables all employees to actively identify items or circumstances that would, if left unprocessed, have the potential to cause harm, therefore removing the risk whilst continually empowering all employees to take an active role in both their and their colleagues' safety.

We are subject to regular independent Health and Safety audits. Due to the work we have done in 2024 we have been able to reduce major risks identified from audit by 86%. Expert examination of the company's assets, locations, and working practices promotes adherence to current regulations and recognized best practice standards through identification and education. Regularly identifying opportunities to improve and imposing strict remedial action guidance directs each location and function to maintain standards expected by law whilst ensuring unbiased external validity. This process works in conjunction with the Group Health and Safety team's support to constantly drive a cultural shift towards best practice in maintaining the highest standards of Health and safety.

Throughout the year we introduced Health and Safety 'cultural audits' to understand and evaluate the attitude of our people to Health and Safety. This is a critical part of our Health and Safety plan, as it underpins how our colleagues turn up for work each day. Exterior validation was gained via the undertaking of interviews guided by the HSE maturity model aimed at directing focus to the areas of the business deemed as opportunities to improve whilst capitalising on those areas reported as 'what we do well in'.

In line with this we introduce a simple ethos to Health and Safety, that's easy for our colleagues to remember, and links with our broader vision

and values. We called it FLOW Safe, which stands for Feel Safe, Live Safe, Operate Safe and Work Safe. Building a culture grounded in sound Health and Safety practices in everything we do is critical for us and we will continue to build on this in 2025.

- **Positive outcome of 2x HSE inspections.**
- **Improved On-Site Services risk management and oversight.**
- **Tighter document control of safety systems on clients locations.**
- **Improved MPOS/Client collaboration on safety.**
- **50% Increase of KPI trackable client visits by Group H&S.**
- **Stricter rules and regulations behind misuse of alcohol and drugs – behaviour not to be tolerated.**

Wellbeing

Supporting our colleagues is something that we take seriously and over the last few years we have built a network of Mental Health First Aiders across our business. We currently have 25 Mental Health First Aiders, up from 19 in 2023, and these individuals are on hand to provide a listening ear and signpost support that is available, when someone is going through a tough time. Each first aider has completed training with Mental Health First Aid England, who teach practical skills to spot potential signs triggers of mental health concerns in colleagues. We also had two people who completed suicide prevention training.

Along with supporting our colleagues mental wellbeing, we are always looking at ways to support physical wellbeing. In 2024 we introduce air quality and noise assessments our at engineering centres to monitor and improve the environment that our people are working in.

- Spirometry and lung function examinations are performed by an exterior medical professional to monitor the affect of welding and painting activities, and to validate the increased DIP slide testing process installed safeguarding for employees that are exposed to metal working fluids within engineering
- Hearing function examinations are undertaken on those deemed at potential risk via noise assessments performed within the engineering

One Flowtech

Earlier in this report, we talked about our transition to One Flowtech. This had an impact on our people, as we had to structure our business to support our strategic goals.

Following an extensive Organisational development programme, to introduce our new ways of working, we restructured our business so that we had a functional matrix model, supporting our country and regional structures, across the UK, Ireland and Benelux. Doing this enabled us to identify areas of duplication and subsequently streamlining functional responsibilities and ensuring everyone in the business was in the right role. Alongside this we introduced a new job architecture that introduced role tiering, which provides a clear and transparent approach to role profiling. We created a new company wide bonus scheme, a first for Flowtech, and introduced an annual pay review. In April 2024 we ensured that we paid above the Real Living wage as a minimum rate of pay. We also launched a new, management self-service HR system to ensure we have all of our employee data in one place. This system is now providing key people data analytics, enabling us to manage our people plans, our recruitment and our training with key information, not previously available to us.

Developing our people

The knowledge and expertise that our people have differentiates us from our competition, so developing our people is critical. With that in mind, in 2024, we have significantly increased our training hours – 6,852 in 2024 compared to 863 in 2023. This included technical training, sales skills and sales leadership training and a senior leadership development programme.

NEBOSH and level 6 H&S Leadership training has also been undertaken by members of the Group Health & Safety team, along with a large volume of First Aid, Fire Safety, skill specific awareness and competency training across the company.

Focus on Technical Training

In 2024, we prioritised technical training across the organisation, with revamped course content delivered in three key areas:

1. **Catalogue Training**
   Delegates gained in-depth knowledge of our product catalogue, including how to navigate its sections, understand each area, and effectively use the indexes.
2. **Product Training**
   Comprehensive training was provided on individual products, covering both supplier offerings and our own-brand products.
3. **Technical Training**
   Sessions covered essential topics such as basic hydraulics, pneumatics, air preparation, and pneumatic symbols.

Our internal trainer achieved accreditation to deliver the BFPA Level 1 Pneumatics course, positioning us as an accredited provider of this recognised training. Beyond upskilling our employees, we extended these training sessions to some of our distributors.

A distributor from Lockwells noted, ***"The training was very informative and I believe it will help us better understand the enquiries for pneumatics and hydraulics that we receive daily."***

We also expanded training in other areas, particularly in IT, with targeted Excel and Power BI training to enhance digital capabilities across the business. The blended delivery model, combining classroom sessions with online learning, has enabled teams from various locations to participate and develop their skills effectively.

These initiatives reflect our commitment to continuous improvement and equipping both colleagues and partners with the technical expertise needed to excel in a dynamic market.

Powering up our Sales Team

We partnered with Discovery ADR to conduct a comprehensive assessment of our Sales team's skills and capabilities through a series of talent centres. These centres engaged teams in various scenarios, including individual and group activities, to evaluate behaviours and responses to different challenges.

Following these assessments, we introduced three targeted training programmes: Critical Sales Skills, Building Commercial Acumen, and the Sales Leadership Development Programme. Initially, these initiatives were implemented with our UK teams. Due to their success, the talent centres were extended to our Irish teams, and a cohort of delegates from Ireland is now participating in the Sales Leadership Development Programme.

The primary goal of these programmes is to equip our Sales teams with the skills and behaviours required to operate as a high-performing unit. To complement this, additional training was also provided to our Customer Service teams, focusing on enhancing their skills and behaviours to deliver exceptional service.

These initiatives reflect our commitment to continuous professional development, ensuring our teams remain competitive and capable of driving sustained growth and success.

Building a high-performing leadership team

We partnered with Defy Expectations to train and coach our leadership team with the goal of creating a high-performing, customer-centric organisation. Recognising that some leaders were new to the company or new to the role, we needed to build a unified leadership team equipped to navigate the challenges and opportunities ahead.

We also introduced go to support for our leaders that was easy to access and covered areas that new leaders would particularly need, this was called "Leadership Mastered"

Apprenticeships

We have maintained our apprenticeship programme throughout 2024, with seven new apprenticeships started throughout the year in a variety of disciplines, including engineering, customer services and finance.

	2024	2023	2022
Apprenticeships started	7	16	18
Apprenticeships completed	7	2	1
Apprenticeships funded (ongoing)	20	25	23

Apprenticeship Levy

During 2024 we have paid **£89,314** into the Apprenticeship Levy account and have spent **£93,395** this has resulted in us not incurring any expired levy. At the end of 2024 we had a levy pot of **£113,703.**

In May Flowtech was accepted as a member of the 5% Club showing our commitment to early careers. By joining the 5% Club, we aspire to achieve 5% of our workforce in earn and learn positions, including apprenticeships, sponsored students, graduates, placements and formalised trainee schemes.

The 5% Club is a dynamic movement of employers committed to earn & learn as part of building and developing the workforce they need as part of a socially mobile, prosperous and cohesive nation. The Club exists to help its members and all employers increase further the number, quality and range of earn & learn opportunities across the UK.

Our communities

In 2024, we partnered with **CALM** (Campaign Against Living Miserably), a charity that offers support, advice and information to people who are struggling with mental health issues or suicidal thoughts. We raised just under £10,000 at our Summer Extravaganza event last June and will continue to focus on this important area in 2025. We have a network of charity champions, a group of volunteers from each site who have signed up to support our fundraising efforts.

As well as our support for CALM, colleagues in the business have also taken part in Macmillan Coffee Morning, Save the Children's Christmas Jumper Day, and our walking group took part in some sponsored walks.

Governance

Compliance & Risk Management

To ensure compliance with our updated recruitment policy we introduced a new recruitment gateway and approvals process, giving us consistency and visibility of our recruitment activity.

We launched a new Whistleblowing policy and process. Internally we refer to this as 'Speak Up' and it provides our colleagues with mechanism to report potential wrongdoing, malpractice or danger within the business. We want a transparent culture, where our colleagues feel supported and safe at work, and this is one element of that.

In 2024 we began a wholesale review of our policies to ensure they are still fit for purpose. So far we have relaunched our expenses policy, our disciplinary and grievance policy and our dress code and uniform policy. We will continue this work in 2025.

We launched our Health and Safety policy for our Irish and Benelux businesses, using our UK policy as a starting point and taking into account local legislation.

2024 saw central Health & Safety facilitate the accreditation to both Safe Contractor and Silver Constructionline (Durham), streamlining our ability to perform works to a wider remit.

We published our new modern slavery statement, demonstrating our commitment to preventing modern slavery and human trafficking within our operations and supply chains.

In 2025 we will launch our Code of Conduct to further enhance our One Flowtech culture, approach, and ways of working. Our aim it to outline our approach to key aspects of work-life, highlighting areas where high levels of vigilance are required, such as cyber security, and guiding our colleagues to understand how we all want to work together and uphold our values and behaviours.

Our full Risk Register is available on page 39 of this report.

Section 2
Governance

Corporate social responsibility

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 2024, 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

Our people make our business what it is, and we value the contributions made by everyone that works with us. We continue to invest in the training and career development of our colleagues and are committed to providing 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 Program provided by unum 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 Executive 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 2024 we continued to build on our Learning & Development approach. Notable success stories have included:

- The rollout of our sales training to further upskill our sales teams, bringing a consistent and joined up approach to what we do and how we do it.
- We invested further in our apprenticeship programme – we currently have 20 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 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 have been working closely with the charity CALM (Campaign Against Living Miserably), a mental health charity that focuses on suicide prevention and raising awareness of this important topic. We will continue to work with CALM in 2025.

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 2025 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 Meet Company (IMC) 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 their 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 Advisers and Brokers, Panmure Liberum and Singers (see back cover for details).

INVESTOR MEET COMPANY
Certificate of Engagement
2024

Financial review

"We have taken actions to manage our cost base and continue to manage all aspects of working capital and capital expenditure tightly. We believe the business is very well placed to capitalise on more favourable market conditions and we have built our teams, and infrastructure over the last year, allowing us to pursue a number of exciting growth opportunities."

Russell Cash
Chief Financial Officer

The group trading performance at a glance

	2024 £m	2023 £m	Change £m/%
Group revenue	**107.3**	112.1	-4.3%
Gross profit	**41.0**	41.3	-0.3%
Gross profit %	**38.2%**	36.8%	142bps
Distribution expenses	**(4.2)**	(4.5)	0.3
Administrative expenses before separately disclosed items (see note 2)	**(34.2)**	(30.7)	-3.5
Underlying operating overheads	**(38.4)**	(35.2)	-3.2
Less Central costs (refer note 3)	**(6.0)**	(5.3)	-0.7
Underlying segment operating overheads	**(32.4)**	(30.0)	-2.4
Underlying segment operating profit	**8.7**	11.4	-2.7
Underlying operating profit*	**2.7**	6.0	-3.3
Less separately disclosed items	**(27.9)**	(16.4)	-11.5
Operating loss	**(25.2)**	(10.4)	-14.8
Financing costs	**(1.8)**	(1.7)	-0.1
Loss before tax	**(27.1)**	(12.1)	-15.0
Tax	**0.7**	(0.9)	1.6
Loss after tax	**(26.4)**	(13.0)	-13.4
Underlying EBITDA*	**5.9**	9.4	-3.5

(*) 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, negative goodwill, impairment of right of use assets, share based payments, and restructuring costs. The £3.2m differential between underlying operating profit and underlying EBITDA relates to £3.2m in respect of depreciation charges.

Our geographical segments at a glance

	Great Britain ("GB")			Benelux			Island of Ireland		
	2024 audited	2023 audited	Change	2024 audited	2023 audited	Change	2024 audited	2023 audited	Change
Revenue (£m)	75.9	77.4	(1.5)	10.0	10.6	(0.6)	21.4	24.1	(2.7)
Underlying operating profit (£m)	5.8	6.2	(0.4)	0.4	1.6	(1.2)	2.5	3.5	(1.0)
Underlying operating margin	7.6%	8.0%	0.1%	3.6%	15.0%	(11.0%)	11.8%	14.5%	(2.8%)
Underlying profit before tax (£m)	5.5	6.0	(0.5)	0.4	1.6	(1.2)	2.5	3.5	(1.0)

Revenue

Thorite contributed £4.8m revenue from the acquisition date (23 August 2024). As such on a like for like basis revenue reduced by £9.6m (8.6%).

- After accounting for Thorite, GB revenue fell by £6.3m (8.1%) - 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 after a year of significant (11.9%) growth in 2023 revenue reduced by £2.7m (11.4%); this was primarily in the second half of the year and specific to a downturn in the activity within the crushing and screening sector.
- In Benelux our revenue reduced by £0.6m (5.5%). 2024 saw the arrival of Francisco Terol to lead the Benelux business. Francisco has invested in his team, has identified a number of self-help areas to gain market share and is well set to capitalise when market conditions improve.

Gross profit

The 142bps improvement in our gross profit margin is pleasing and builds on progress made in recent years. This has resulted in a similar value of gross profit notwithstanding a £4.8m reduction in revenue. Control of gross margin across all areas of our business is fundamental.

Segment operating overheads

Underlying segment operating overheads increased by £2.4m, £1.4m of which relates to Thorite. The underling increase of £1.0m (3%) primarily relates to payroll costs where a combination of pay increases and the investment in typically higher paid new personnel has more than offset the impact of a modest reduction in underlying headcount.

Central costs

A summary of central costs is provided below

	2024 £000	2023 £000
Management salaries	2,376	2,271
Accounting & finance	939	935
Project & IT costs	1,132	723
PLC costs	572	589
Other central operating costs	1,021	784
	6,040	5,302

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.

The increase in Project & IT costs links to our strategic decision to build in house capability and resource as we focus on this area of our business which we anticipate will form a critical component of our future success.

Separately disclosed items

Separately disclosed items within administrative expenses:	2024 £000	2023 £000
-Amortisation of acquired intangibles	820	906
-Impairment of goodwill	25,070	13,026
Depreciation of old website	241	-
-Impairment of right of use assets	81	456
• Impairment of intangible assets	284	
• Impairment of fixed assets	246	
• Negative goodwill	(2,205)	-
-Share-based payment costs	729	462
- Release of lease liability - property vacated in 2023	-	(412)
Acquisition costs	41	-
-Restructuring	2,581	1,918
Total separately disclosed items	**27,888**	**16,356**

Impairment of goodwill and right of use assets

The calculations which underpin the annual evaluation of the carrying value of assets is based on a number of key assumptions, notably revenue growth rates and the discount rate applied to reflect the net present value of future cash flows.

In total an impairment charge of £25,620,000 has been taken in 2024, of which £25,070,000 was taken against Goodwill, £246,000 against fixed assets, £284,000 against intangible assets and £20,000 against right of use assets. The split of impairment charge by geographical segment is shown below:

- Great Britain - £22,005,000 which relates entirely to the impairment of Goodwill
- Island of Ireland – NIL
- Benelux - £3,615,000 split £3,065,000 in relation to goodwill, £246,000 in relation to fixed assets, £284,000 in relation to intangible assets and £20,000 in relation to Right of Use assets

Restructuring costs

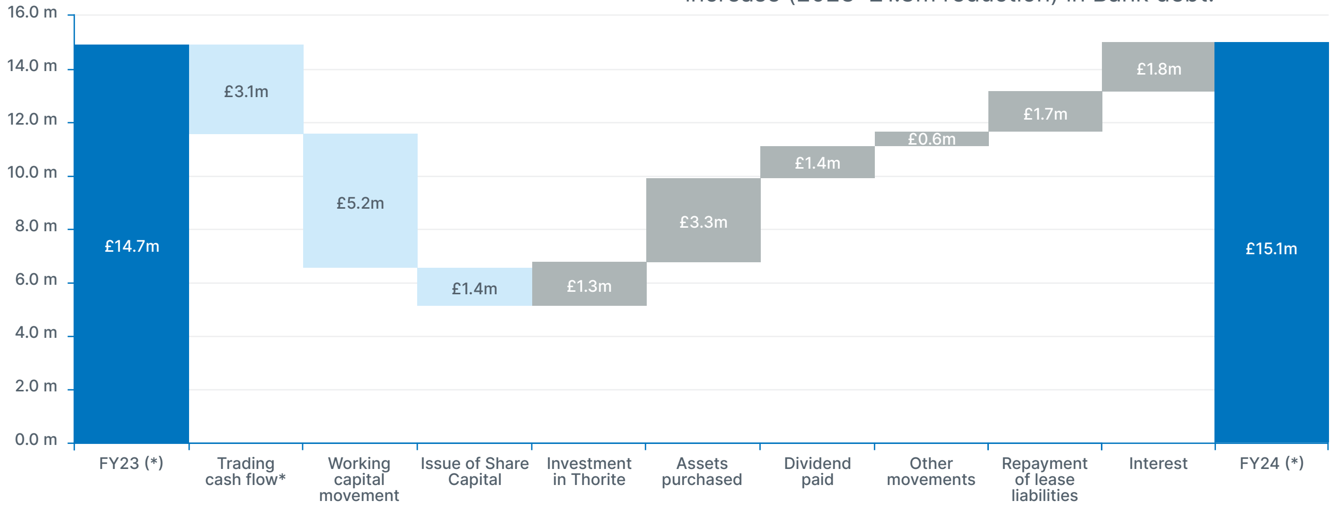
The key components of restructuring costs are £1.7m in respect of salary costs of personnel who left the business. The balance of the charges relate to costs associated with a broad range of restructuring projects.

Net Debt

Our Net Debt position (excluding lease liabilities) increased modestly from £14.7m to £15.1m; for clarity £15.1m is the net of our £16.9m revolving credit facility (RCF) and the £1.8m cash at bank we held at year end. If IFRS16 lease liabilities are included the position is £20.5m at 2024 year-end compared with £20.2m at 2023 year-end.

Net cash generated from operating activities totalled £8.7m (2023: £8.2m); this is the aggregation of operating cash inflow before working capital movements of £3.1m (2023:£7.5m), favourable working capital movements (excluding Thorite) totalling £5.2m (2023: £1.8m) and tax paid of £0.8m (2023: £1.1m). After net cash outflows after Thorite contribution of £5.8m (2023: £2.1m) associated with investing activities, £3.2m (2023: £3.6m) relating to financing activities and the dividend payment of £1.4m (2023: £1.3m) this lead to a £0.4m increase (2023: £1.3m reduction) in Bank debt.

This is summarised in the graph below:



(*) Opening and closing figures exclude IFRS 16 related liabilities. IFRS16 debt reduced by £0.1m in 2024.

Thorite Acquisition

On 23 August 2024 we acquired the business and assets of Thomas Wright/Thorite Group Ltd ("Thorite") immediately following the appointment of its Administrator. Thorite was established in 1850 and has a fantastic reputation within the Fluidpower sector. Its activities complement the existing activities of the Group and cross selling opportunities exist in various directions.

The consideration paid was £764k, which included initial cash consideration of £350k plus an additional £414k which was repaid to the administrator against recovered debtors. This saw assets acquired with values materially in excess of this – the disclosure in note 24 shows fair value of assets acquired exceeding sums paid by approx. £2.2m. Highlights within this include:

- Acquiring stock with a fair value of c£2.7m and settlement payments made to creditors to secure title were limited to £0.7m. This stock has/will turn relatively quickly so this represents material upside.
- Through a mechanism agreed with the Administrator we achieved recoveries of approx. £2.2m from book debts net of the £0.4m repaid to the administrator which is included within the total consideration. This represents £0.5m in excess of the £1.7m we paid to acquire this asset.

Shortly after the acquisition steps were taken to reduce the cost base of the business – within two months we had taken approx. £1m of annualised cost out of the business. This, combined with significant improvements in the gross profit percentage being achieved, led to a position where we got the business back into profit within the first few months of ownership and where we expect it to make a material contribution to the profit in 2025 and beyond.

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 2025 and on-going support was approved.

Summary

Profitability was materially impacted by challenging market conditions throughout 2024; we had expected conditions to ease in the second half of the year but that did not prove to be the case. We have taken actions to manage our cost base and continue to manage all aspects of working capital and capital expenditure tightly. We believe the business is very well placed to capitalise on more favourable market conditions. We have built our teams, and infrastructure, and have a number of exciting growth opportunities which are currently being pursued.

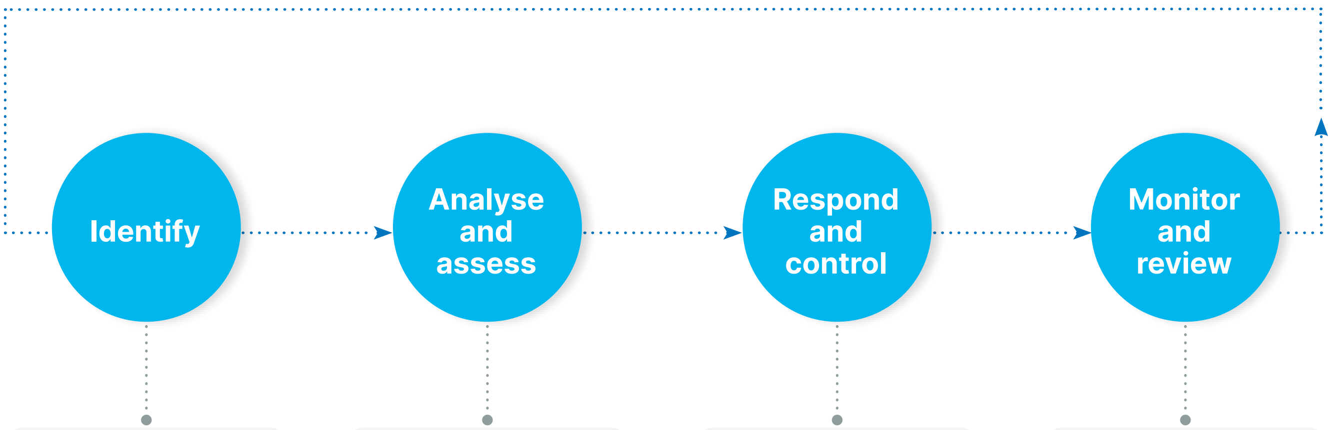
We look forward to the remainder of 2025 and beyond, buoyed by the range of profit improvement initiatives which are available to us.

Russell Cash,
Chief Financial Officer
9 April 2025

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 Trasie Marsh, Group HR and ESG Director with quarterly sessions held with the Group Risk Board which is made up of members of our Executive 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 Executive Leadership Team who are responsible for the management of that risk. The Executive Leadership Team regularly review the risk register collectively.

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.

Our board

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

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 cyber security assessments and 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 HR Information System • New processes to ensure compliance when handling personal information data • GDPR committee • Leadership GDPR training

Our board

Roger 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 and Northern 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 and 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. The experience Russell has in turnaround/distressed situations served us well when negotiating the terms of the Thorite acquisition.

Appointed: *November 2018*

Board Commitees

- Member of the AIM Compliance and 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 Liberum.

***Appointed**: January 2023*

Board Commitees

- Chair of the Audit Committee
- 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 and 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, where she is 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.

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 career, having sat on 20+ different boards, he has focused on driving shareholder value and has gained experience covering investment, strategy and governance, M&A, audit and consultancy. Most recently he worked with Hanover Investors and, prior to this, Jamie ran the Catalyst funds 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, PadelStars Limited and Triple Point Venture VCT PLC
- Non-Executive Director of Oryx International Growth Fund PLC and 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 to 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 were revisited and these are now considered embedded within the business; key elements of this are 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 Joint Brokers (Panmure Liberum and Singers) 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. The Executive Directors and supporting Leadership Team have also hosted a number of site visits with existing and potential new investors to aid the understanding of our business. 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 relationships 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 consistently 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 appropriate 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.

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 Sustainability report on pages 21-26.

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.

On pages 35-38 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 five 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 39-46.

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.

Our NOMAD presents annually to ensure all Directors are updated with regards to duties and responsibilities.

Brief biographies of each of our Directors are outlined on pages 39-40.

Principle 7

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

The Board undertakes regular evaluations 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, and
- 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.

By way of example of the ongoing emphasis in this area the Group has recently introduced a refreshed policy on the avoidance of Sexual Harassment. This has been rolled our across the business, with a focus on educating our colleagues, as well as having a clear path for anyone to report any concerns they have.

Ever increasing emphasis is being placed on the Environmental, Social & Governance agenda, evidence of which can be seen via the comments provided on pages 21-26 in this Report. We believe that once again good progress has been made during the course of 2024.

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, and
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, and
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 and 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 47-49. Biographical details of the Directors are included on pages 39-40.

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 commitments. 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.

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 an Executive Leadership Team which sits beneath PLC level. This Group includes individuals who lead various functional activities across the Group including Sales, Operational, Marketing, Digital and 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, and
8. Risk management.

The Board formally delegates responsibility to four committees: the Nomination, Remuneration, AIM Compliance & Corporate Governance and Audit Committees.

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. The measures put in place to reward the Executive Directors is detailed in the Directors' Remuneration section of this Report.

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 47-49.

The AIM Compliance & Corporate Governance Committee

Chaired by Stuart Watson

The AIM Compliance & Corporate Governance Committee usually meets at least one per 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 were attended by all Directors.

Our NOMAD, Panmure Liberum, provided all Directors with an update with regards to Director responsibilities on 29 January 2025.

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, and
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 2024 (21 March 2024 ahead of the finalisation of the 2023 Report and Accounts, 17 September 2024 to review the half year results and 19 November 2024 to consider the Auditor's planning document) 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 well-being.

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 third time. As we state in the Sustainability section of the Report, 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, and
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 jeopardize 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 if our success; it is vital that we have the right calibre of people and that we incentivise excellent performance.

In 2024 the actions of the Remuneration Committee were focused on the following key areas:

- Implementing a new Long Term Incentive Plan structure for senior leaders within the business who sit immediately below the PLC Board
- Approving annual performance targets and related bonuses for the Executive Directors
- Reviewing and approving the basis of the Group wide bonus mechanism for introduction in 2025 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, and
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.

Directors' detailed remuneration

	Salary and fees £000	Benefits £000	Bonus £000	Total 2024 £000	Total 2023 £000
Executives					
Mike England	363	4	0	**367**	264
Russell Cash	225	3	0	**228**	274
Bryce Brooks*				0	310**
Non-Executives					
Roger McDowell	80			**80**	53
Nigel Richens (resigned 25 April 2023)				0	18
Jamie Brooke	50			**50**	59
Ailsa Webb	45	2		**47**	47
Stuart Watson	50			**50**	47
				822	1,072

* Bryce Brooks stepped down as CEO on 12 April 2023

** Compensation for loss of office included in 2023 figure

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 2024 number of ordinary shares	Compensation for loss of office number of ordinary shares
Executives		
Mike England	60,470	60,470
Russell Cash	48,175	48,175
Non-Executives		
Roger McDowell	1,132,000	1,082,000
Jamie Brooke	240,000	240,000
Ailsa Webb	40,121	40,121
Stuart Watson	8,965	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 2024	As at 31 December 2023
Russell Cash	EMI (Unapproved)	300,000	**300,000**
Mike England	LTIP – 2023 issue	1,583,333	**1,583,333**
Russell Cash	LTIP – 2023 issue	762,255	**762,255**

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.

Directors' report

The Directors present their Annual Report, together with the audited Group and Company financial statements for the year ended 31 December 2024.

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 2-26. 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 2024 are set out in the consolidated income statement on page 65.

The Group has reported an operating loss of 25.2 million (2023: loss £10.4 million). After accounting for net finance costs, the consolidated income statement shows a loss from continuing operations before taxation of £27.1 million (2023: loss £12.1 million).

The Board believe the market will offer opportunities for further bolt-on acquisitions at distressed prices, as such we believe that shareholders' interests will be best served by passing on the dividend in the current year and having the extra cash available for such transactions. In 2024 the dividend payout relating to FY2023 was approximately £1.4m.

Directors

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

- Russell Cash
- Roger McDowell
- Ailsa Webb
- Jamie Brooke
- Stuart Watson
- Mike England

Short biographies of each Director currently in office are provided on pages 39-40.

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 31 December 2024 is disclosed in the Directors' Remuneration report on pages 47-49.

Details of the Directors' share options are provided in the Directors' Remuneration report on page 49.

The table on the below shows the position as at 28 February 2025 (being the last practicable date before the publication of this Report)

Shareholders – 28 February 2025	Number of shares held	% of share capital
Odyssean Capital	10,500,000	16.59
Harwood Capital	6,500,000	10.27
Close Asset Mgt	5,038,337	7.96
Downing	3,905,603	6.17
Charles Stanley	3,120,396	4.93
Lazard Freres Gestion	2,489,563	3.93
Interactive Investor	2,034,300	3.22
BGF Investments	1,896,724	3.00
Raymond James Investment Services	1,794,555	2.84
Integrated Financial Arrangements	1,674,555	2.65

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 28 February 2025 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.

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 28, under the Corporate Social Responsibility section.

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 on 17 June 2025 at 11am. 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 41 to 46. 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 21 to 26. 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 21-26. 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 £25.2million operating loss in 2024 (2023: loss £10.4m), after adding back separately disclosed items, this represents an underlying operating profit of £2.7 (2023: £6.0m).
- The Group is expecting to trade profitably in 2025 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 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 2024 the Group's net debt was £15.1m (2023: £14.7m); this is £9.9 million within the aggregate banking facilities which include a £5.0 million overdraft facility.

The Directors have prepared forecasts covering the period to December 2026 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 is preparing its financial statements.

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

8 April 2025

Section 3
Financial Statements

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 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024, 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 material accounting policy information. 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 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 Company's affairs as at 31 December 2024 and of the Group's loss and the 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 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 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the 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 significant doubt on the Group's and the 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 disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

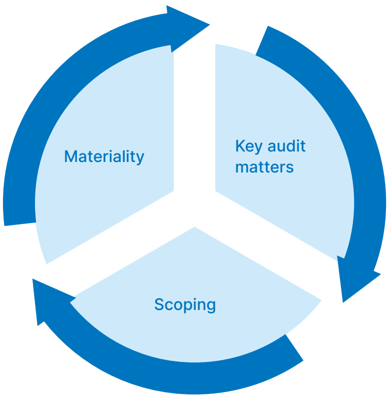
In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the Company's business model including effects arising from macro-economic uncertainties such as overall UK macro-economic growth levels and the risk of recession on consumer demand, we assessed 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 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 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.

Our approach to the audit



Overview of our audit approach

Overall materiality:

Group: £536,410, which represents 0.5% of the Group's total revenue.

Company: £402,308, which represents 0.4% of the Company's total assets, Company component materiality has been capped at an amount less than Group materiality for Group audit purposes.

Key audit matters were identified as:

- Carrying value of the Group's goodwill (same as previous year); and
- Provision for impairment of inventories (same as previous year); and
- Carrying value of investments in subsidiaries (same as previous year); and
- Valuation of acquired intangibles (new in the current year); and
- Going Concern (new in the current 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.

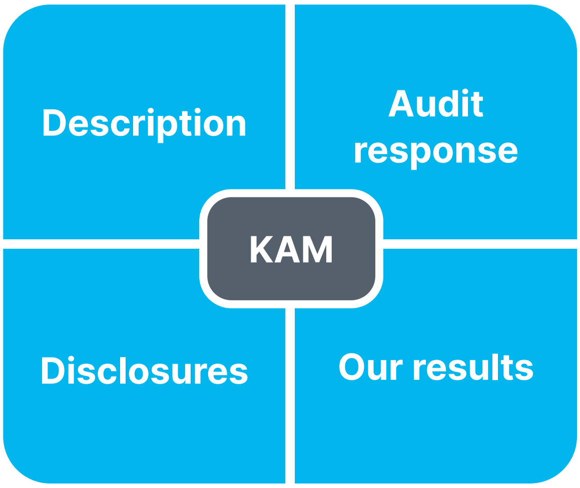
We have performed audits of the financial information using component performance materiality (full-scope audits) for Fluidpower Group UK Limited and Fluidpower Group Services UK Limited.

We have performed specific audit procedures on the financial information of Flowtech Fluidpower Plc, Fluidpower Shared Services Limited and Hydroflex Hydraulics Group BV.

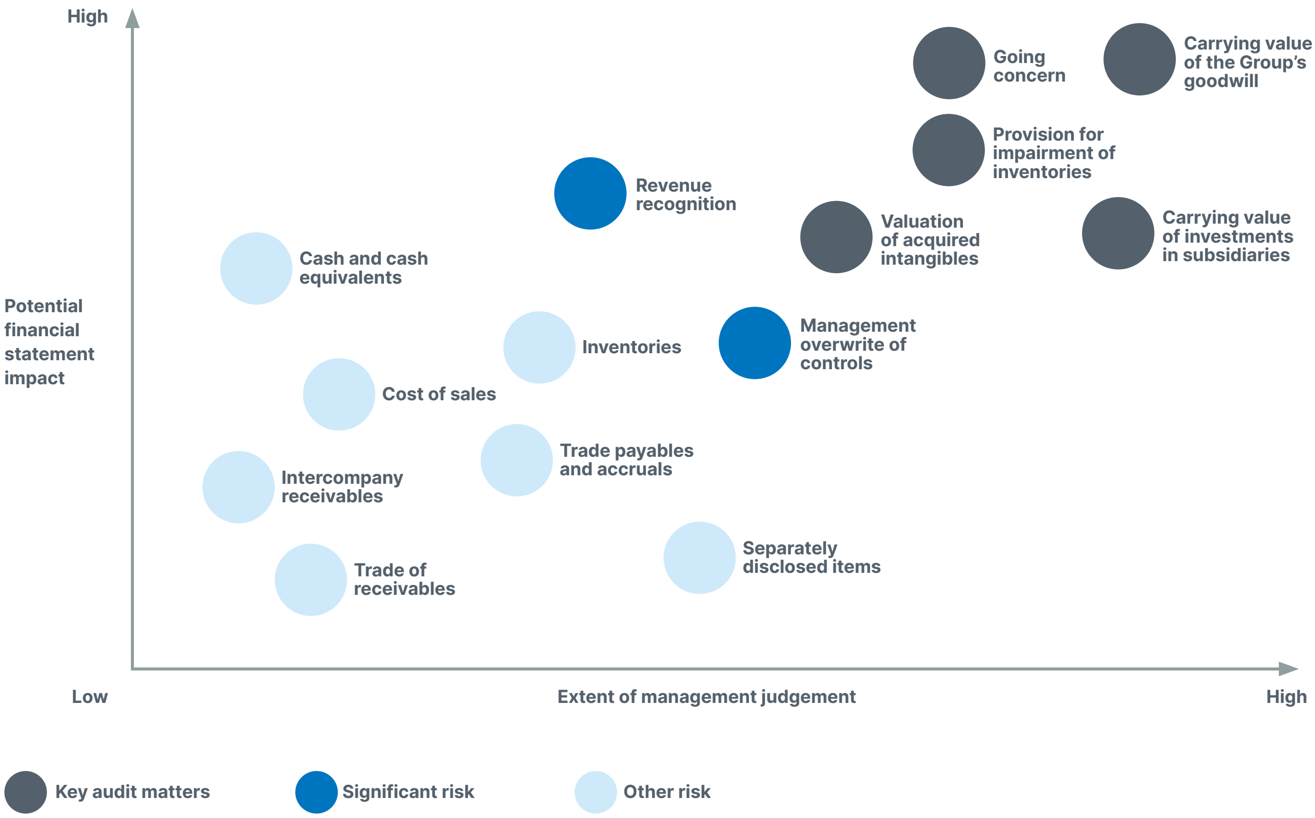
In total our audit procedures covered 89% of the Group's total assets, 81% of the Group's revenue and 87% of the Group's inventories.

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 Great Britain and Benelux Groups of 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 an operational segment 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 operational segments 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 groups 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

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 2024 is £29,263,000 (2023: £32,009,000), which is recorded net of a provision of £1,863,000 (2023: £1,891,000).

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

Our results

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

Valuation of acquired intangibles

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

The trade and assets of Thorite were acquired in August 2024.

Given the complexity and estimation involved in the calculation to estimate the fair value of acquired intangible assets, the audit team deem this to be a key audit matter which requires audit team effort to ensure the valuation of intangibles is appropriate.

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

Reviewed sale and purchase agreement (SPA) and vouched key terms,

Assessed the competence, capabilities and objectivity of the management's expert used by the Group;

- Assessed the mechanical accuracy of the intangible asset valuation model and the methodology applied by management for consistency with the accounting standards;
- Used our internal valuation specialists to analyse and challenge management's valuation of intangible assets;
- Challenged and assessed the amortisation period of intangibles and charge posted within the year; and
- Challenged the key assumptions in the underlying forecasts used for valuation of intangibles.

Relevant disclosures in the Annual Report

Financial statements: Note 2.10, Accounting policies, Inventories; and Note 15, Inventories

Our results

Based on our audit work, we did not identify any material misstatements related to the valuation of acquired intangibles resulting from the acquisition of Thorite's trade and assets.

Going concern

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

FY24 was a challenging trading year for the Group and, as a result, the last twelve month (LTM) EBITDA figure was lower than forecasted causing reduced headroom on banking covenants and liquidity.

As a result, the going concern work required a greater allocation of resources in the audit and increased effort from the audit team to gain assurance.

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

- Obtained management's base case scenario for the going concern period until December 2026;
- Compared inputs used in the going concern model to current year actuals;
- Performed arithmetic checks on management's going concern model to assess the mathematical accuracy of the going concern model;
- Challenged and obtained supporting evidence for key

assumptions such as revenue growth, working capital and cash flow assumptions, which will have been approved by the Board;

- Assessed the reasonableness of management's forecasts and downside sensitivity by comparing to external market data and historic performance;
- Obtained management's reverse stress test, understood and challenged the sensitivities applied which represent management's assessment of uncertainties present;
- Considered management's historic forecasting accuracy by comparing previous forecasts to actual results achieved and considered the impact of this on the base case forecasts produced;
- Corroborated the existence of the Group's loan facilities and related covenant requirements for the period covered by management's forecasts;
- Met with a representative of the Group's external funder to discuss their funding arrangements and support for the Group;
- Assessed the accuracy of covenant calculations within the Group's forecasts by confirming to the debt agreements; and
- Compared post year end results achieved to those forecasted to determine if the business is trading in line with forecasts.
- Considered and inquiring whether management and those charged with governance are aware of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern.
- Assessing the adequacy of going concern disclosures within the financial statements.

Relevant disclosures in the Annual Report

- Financial statements: Note 2.10, Accounting policies, Inventories; and Note 15, Inventories

Our results

Based on our audit work, the going concern basis of accounting is deemed appropriate.

Key Audit Matter – 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 £24,804,000, (2023: £59,685,000).

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– company

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

- 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

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

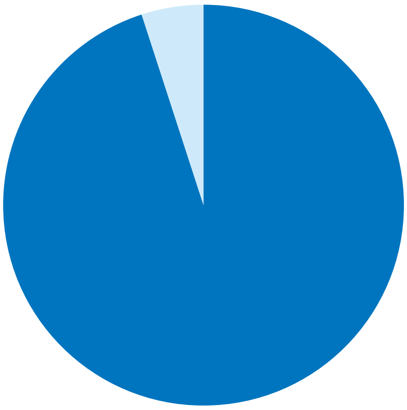
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	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	£536,410 (2023: £560,000), which represents 0.5% of the Group's revenue. The range of component performance materialities used across the Group was between £155,399 to £313,800.	£402,308 (2022: £560,000), which represents 0.4% of the Company's total assets. Company component materiality has been capped at an amount less than Group materiality for Group audit purposes.
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 lower than the level that we determined for the year ended 31 December 2023 to reflect the reduction in revenue across the Group.	In determining materiality, we made the following significant judgements: • We determined the Company's total assets to be the most appropriate benchmark as the Company does not trade and largely holds investments in subsidiary undertakings and the external borrowings. • Materiality for the current year is lower than the level that we determined for the year ended 31 December 2023 because we have applied a lower cap with reference to Group materiality than what was applied last year.
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	£348,667 (2023: £336,000), which is 65% (2023: 60%) of financial statement materiality. The range of component performance materialities used across the Group was between £155,399 to £313,800.	£261,500 (2023: £392,000, which is 65% (2023: 70%) of financial statement materiality. Company component performance materiality has been capped at an amount less than Group performance materiality for Group audit purposes.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • 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. • For each component in scope for our Group audit, we allocated a performance materiality that is less than our overall Group performance materiality. • Based on the extent of disaggregation if financial information across components, including the relative risk and size of a component to the Group, an appropriate component performance materiality was selected	In determining performance materiality, we made the following significant judgements: • Our risk assessment procedures did not identify any significant changes in business objectives and strategy of the Company; and • Our experience with auditing the financial statements of the 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 areas: • Directors' remuneration, • Auditor's remuneration.	We determined a lower level of specific materiality for the following areas: • Directors' remuneration, • Auditor's remuneration.
Communication of misstatements to the Audit Committee	We determine a threshold for reporting unadjusted differences to the Audit Committee.	
Threshold for communication	£26,821 (2023: £28,000), which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£20,115 (2023: £28,000), which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

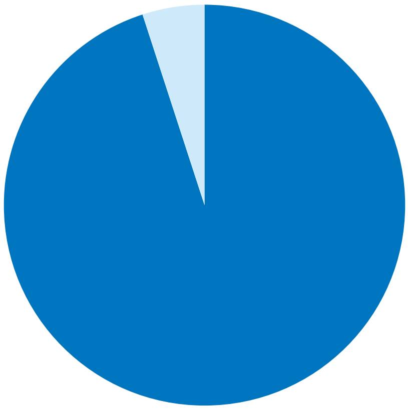
Overall materiality - Group



Revenue £107,282,000

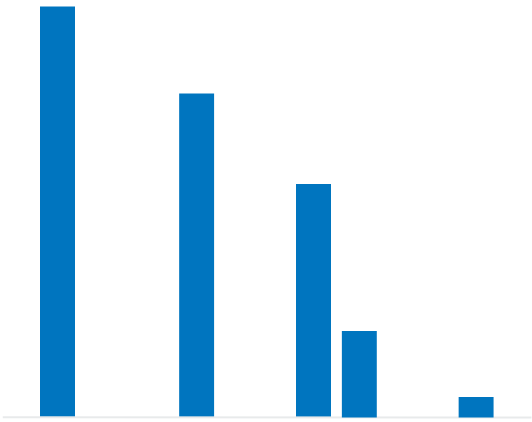
FSM £536,410 0.5%

Overall materiality - Company

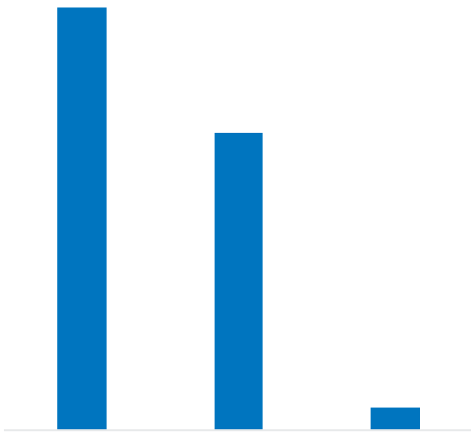


Total assets £60,449,941

FSM £402,308 0.7%



FSM £536,310 (0.5% of Revenue)
PM £355,102 (65% of FSM)
RoPM £155,399 to £313,800
TfC £26,821 (5% of FSM)



FSM £402,308 (0.7% of total assets)
PM £261,500 (65% of FSM)
TfC £20,115 (5% of FSM)

FSM: Financial statement materiality, PM: Performance materiality, RoPM: Range of performance materiality at 5 components, 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 Company's business and in particular matters related to:

Understanding the Group, its components, their environments, and its system of internal control including common controls

The engagement team obtained an understanding of the Group and its environment, including common 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 common processes and controls and used this to inform our assessment of risk.

Identifying components at which to perform audit procedures

In order to address the risks identified, the engagement team performed an evaluation on components to identify significant components. We have determined components in scope for further audit procedures based on individual risk of material misstatement and due to the nature and size of total assets, revenue, and inventories at the component being of financial significant to one or more items required to be in scope.

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

We performed full scope audits using component performance 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, Hydroflex Hydraulics Group BV and Fluidpower Shared Services Limited;

We performed analytical procedures on the financial information of Fluidpower MIP Limited, Flowtechnology Benelux Limited and Flowtech Fluidpower Ireland Limited.

We identified key audit matters of the Group, which were carrying value of goodwill, provision for impairment of inventories, carrying value of investment in subsidiaries, valuation of acquired intangibles and going concern. 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 81% 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.

The components within the scope of further audit procedures accounted for the following percentages of the Group's results, including the key audit matters identified:

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage inventories
Full-scope audit	2 (2023: 2)	87% (2023: 87%)	81% (2023: 80%)	87% (2023: 87%)
Specific scope procedures	3 (2023: 3)	2% (2023: 2%)	0% (2023: 0%)	0% (2023: 0%)
Full scope procedures and specific scope procedures coverage	5 (2023: 5)	89% (2023: 89%)	81% (2023: 80%)	87% (2023: 87%)
Analytical procedures	3 (2023: 3)	11% (2023: 11%)	19% (2023: 20%)	13% (2023: 13%)
Total	8 (2023: 8)	100%	100%	100%

Changes in approach from previous period

- Specific audit procedures for Flowtech Fluidpower Ireland Limited did not include cash and cash equivalents owing to the financial insignificance in the context of the Group as a whole; and
- Specific audit procedures for Hydroflex Hydraulics Group BV included cash and cash equivalents owing to the financial significance in the context of the Group as a whole.

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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Directors Report [**set out on pages 50-52**], 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 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 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 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 Company), and the Quoted Companies Alliance (QCA) Corporate Governance Code;

- We obtained an understanding of how the 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 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. 8 April 2025

Consolidated Income Statement

For the year ended 31 December

	Note	2024 £000	2023 £000
Continuing operations			
Revenue	3	**107,282**	112,095
Cost of sales		**(66,267)**	(70,832)
Gross profit		**41,015**	41,263
Distribution expenses		**(4,169)**	(4,534)
Administrative expenses before separately disclosed items:		**(34,196)**	(30,740)
- Separately disclosed items	3	**(27,888)**	(16,356)
Total administrative expenses		**(62,084)**	(47,096)
Operating profit/(loss)	4	(25,238)	(10,367)
Financial expenses	6	(1,839)	(1,735)
Loss from continuing operations before tax	3	(27,077)	(12,102)
Taxation	7	671	(875)
Loss from continuing operations		(26,406)	(12,977)
Loss profit for the year attributable to:			
Owners of the parent		(26,406)	(12,977)
		(26,406)	(12,977)
Earnings per share			
Basic earnings per share - continuing operations	9	(42.23p)	(21.10p)

Consolidated Statement of Comprehensive Income

	2024 £000	2023 £000
(Loss)/profit for the year	(26,406)	(12,977)
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
- Exchange differences on translating foreign operations	(359)	(136)
Total comprehensive loss for the year	(26,765)	(13,113)
Total comprehensive loss for the year attributable to:		
Owners of the parent	(26,765)	(13,113)
	(26,765)	(13,113)

Consolidated Statement of Financial Position

	Note	2024 £000	2023 £000
Assets			
Non-current assets			
Goodwill	10	14,996	40,066
Other intangible assets	11	3,776	2,529
Right-of-use assets	21	4,806	4,829
Property, plant and equipment	13	7,546	7,822
Total non-current assets		31,124	55,246
Current assets			
Inventories	15	29,263	32,009
Trade and other receivables	16	22,740	23,725
Prepayments		1,052	856
Cash and cash equivalents	17	1,839	5,184
Total current assets		54,894	61,774
Liabilities			
Current liabilities			
Lease liability	18,21	1,694	1,695
Trade and other payables	19	20,866	21,558
Tax payable		228	767
Total current liabilities		22,788	24,020
Net current assets		32,106	37,754
Non-current liabilities			
Interest-bearing borrowings	18	16,913	19,915
Lease liability	18, 21	3,743	3,822
Provisions	20	179	330
Deferred tax liabilities	14	791	1,534
Total non-current liabilities		21,626	25,601
Net assets		41,604	67,399
Equity directly attributable to owners of the Parent			
Share capital	23	31,637	30,746
Share premium		61,662	60,959
Other reserves		187	187
Shares owned by the Employee Benefit Trust		(54)	(124)
Merger reserve		293	293
Merger relief reserve		3,646	3,646
Currency translation reserve		(336)	23
Retained losses		(55,431)	(28,331)
Total equity attributable to the owners of the Parent		41,604	67,399

The financial statements on pages 66-108 were approved by the Board of Directors on 8 April 2025 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 2023	30,746	60,959	187	(124)	293	3,646	159	(14,527)	81,339
Loss for the year	-	-	-	-	-	-	-	(12,977)	(12,977)
Other comprehensive income	-	-	-	-	-	-	(136)	-	(136)
Total comprehensive income for the year	-	-	-	-	-	-	(136)	(12,977)	(13,113)
Transactions with owners									
Share-based payment charge	-	-	-	-	-	-	-	462	462
Dividends paid									
Total transactions with owners	-	-	-	-	-	-	-	(1,289)	(1,289)
Balance at 31 December 2022	30,746	60,959	187	(124)	293	3,646	23	(28,331)	67,399

	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 2024	30,746	60,959	187	(124)	293	3,646	23	(28,331)	67,399
Loss for the year	-	-	-	-	-	-	-	(26,406)	(26,406)
Other comprehensive income	-	-	-	-	-	-	(359)	-	(359)
Total comprehensive income for the year	-	-	-	-	-	-	(359)	(26,406)	(26,775)
Transactions with owners									
Issue of share capital	891	703	-	(200)	-	-	-	-	1,394
Share options settled	-	-	-	270	-	-	-	(41)	229
Share-based payment charge	-	-	-	-	-	-	-	730	730
Dividends paid	–	-	-	-	-	-	-	(1,383)	(1,383)
Total transactions with owners	891	703	-	70	-	-	-	(695)	969
Balance at 31 December 2024	31,637	61,662	187	(54)	293	3,646	(336)	(55,431)	41,604

Consolidated Statement of Cash Flows

	Note	2024 £000	2023 £000
Cash flow from operating activities			
Net cash from operating activities	25	**8,706**	8,202
Cash flow from investing activities			
Payment for acquisition	24	**(832)**	-
Repayment of Credit facility from acquisition	24	**(1,694)**	-
Acquisition of property, plant and equipment	13	**(1,547)**	(2,092)
Acquisition of intangible assets	11	**(1,764)**	(121)
Proceeds from sale of property, plant and equipment		**31**	135
Net cash used in investing activities		**(5,806)**	(2,078)
Cash flows from financing activities			
Net proceeds from issue of share capital		**1,393**	-
Repayment of lease liabilities		**(1,663)**	(1,818)
Repayment of bank loan		**(3,000)**	-
Interest on lease liabilities		**(117)**	(221)
Other interest		**(1,725)**	(1,567)
Proceeds from sale of shares held by the EBT		**270**	-
Dividends paid	8	**(1,383)**	(1,289)
Net cash used in financing activities		**(6,225)**	(4,895)
Net change in cash and cash equivalents		**(3,325)**	1,229
Cash and cash equivalents at start of year		**5,184**	3,972
Exchange differences on cash and cash equivalents		**(20)**	(17)
Cash and cash equivalents at end of year	17	**1,839**	5,184
Net Debt		**15,074**	14,731

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 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**

At 1 January 2024	19,915	-	5,516	**25,431**
Cash flows:				
Repayment	(3,000)	-	(1,663)	**(4,663)**
Other movements	(2)	-	-	**(2)**
Non cash:				
Additions	-	-	1,628	**1,628**
Disposals	-	-	-	**-**
Reclassification of liabilities	-	-	-	**-**
Other lease movements	-	-	-	**-**
Foreign exchange difference	-	-	(44)	**(44)**
At 31 December 2024	16,913	-	5,437	**22,350**

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 £25.1m operating loss in 2024 (2023: Loss £10.4m), and after adding back separately disclosed items, this represents an underlying operating profit of £2.7m(2023: £5.9m)
- The Group is expecting to see increased profitability in 2025; this is supported by the quantum and quality of the pipeline of enquiries and an expectation of a return to more favourable market conditions
- During the year the Group acquired the business and assets of Thorite; following steps taken to improve gross margin and to manage the cost base it is pleasing to see the business already contributing positive EBITDA to the results.
- The Group maintains a strong relationship with its bankers. Given the level of profitability achieved in 2024, in particular the second half of 2024 it was necessary to agree a relaxation of certain of the banking covenants which covers the period up to September 2025. The Group expects to remain compliant with all covenants throughout 2025 and beyond under base case and severe downside scenarios.
- At the end of 2024 the Group's Net Debt was £15.1 million (£9.9 million within the aggregate banking facilities which include a £5.0 million overdraft facility). Whilst the overdraft facility has been in place for many years

it is technically repayable on demand, The forecasts and the sensitivities subsequently applied show no reliance on the facility during the going concern assessment period.

The Directors have prepared forecasts covering the period to December 2026 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 and without the need for any reliance on the £5m overdraft facility. The Directors view the set of circumstances required for any breach of banking covenants to crystalise as highly unlikely and as such, not reasonably plausible scenarios. We acknowledge that recent announcements with regards to trade tariffs could add to the volatility and unpredictability of market conditions. We believe the impact that this could have is adequately accommodated within the stress testing scenarios which have been considered and as such this does not change any conclusions previously reached.

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 2024. 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.

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

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

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

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 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.

2.24 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.

2.25 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 (2023: 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 2024 is £14,996,000 (2023: £40,066,000). 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 2024 was £29,263,000 (2023: £32,009,000) and included a provision against the inventories of £1,863,000 (2023: £1,891,000). 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 5.9% of gross value; it should be noted that a 0.5% movement in either direction has an approximate £156,000 impact.

3. Segment reporting

During 2024, Management reviews the operations of the business based on three geographical segments – Great Britain, Ireland and Benelux. These operating segments are monitored by the Group's Chief Operating Decision Maker and strategic decisions are made on the basis of adjusted segment operating results. Inter-segment revenue arises on the sale of goods between Group undertakings.

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

Segment information for the reporting periods are as follows:

For the year ended 31 December 2024	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	75,913	9,999	21,370	-	-	**107,282**
Inter-segment revenue	4,541	378	469	(5,388)	-	**-**
Total revenue	80,454	10,377	21,839	(5,388)	-	**107,282**
Underlying operating result (*)	5,806	363	2,521	-	(6,040)	**2,650**
Net financing costs	(325)	(6)	(23)	-	(1,482)	**(1,836)**
Underlying segment result	5,481	357	2,498	-	(7,522)	**814**
Separately disclosed items	(21,715)	(3,823)	(218)	-	(2,133)	**(27,888)**
Profit/(loss) before tax	(16,234)	(3,466)	2,278	-	(9,655)	**(27,077)**
Specific disclosure items						
Depreciation and impairment on owned plant, property and equipment	1,375	70	96	-	1	**1,542**
Depreciation on right of use assets	1,109	112	165	-	146	**1,532**
Accelerated depreciation of old website	241	-	-	-	-	**241**
Impairment of right of use assets	61	20	-	-	-	**81**
Negative goodwill	(2,205)	-	-	-	-	**(2,205)**
Impairment of goodwill	22,005	3,065	-	-	-	**25,070**
Impairment of intangible assets	-	284	-	-	-	**284**
Impairment of fixed assets	-	246	-	-	-	**246**
Amortisation	877	73	99	-	-	**1,049**
Reconciliation of underlying operating result						
Underlying operating result (*)	5,806	363	2,521	-	(6,040)	**2,650**
Separately disclosed items	(21,715)	(3,823)	(218)	-	(2,133)	**(27,888)**
Operating (loss)/profit	(15,909)	(3,460)	2,303	-	(8,173)	**(25,238)**

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

For the year ended 31 December 2023 (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	77,371	10,583	24,141	-	-	112,095
Inter-segment revenue	3,141	652	585	(4,378)	-	-
Total revenue	80,512	11,235	24,726	(4,378)	-	112,095
Underlying operating result (*)	6,165	1,585	3,541	-	(5,302)	5,989
Net financing costs	(172)	(8)	(30)	-	(1,525)	(1,735)
Underlying segment result	5,993	1,577	3,511	-	(6,827)	4,254
Separately disclosed items	(13,925)	(98)	(588)	-	(1,745)	(16,356)
Profit/(loss) before tax	(7,933)	1,479	2,923	-	(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 (*)	6,165	1,585	3,541	-	(5,302)	5,989
Separately disclosed items	(13,925)	(98)	(588)	-	(1,745)	(16,356)
Operating profit/(loss)	(7,760)	1,487	2,953	-	(7,047)	(10,367)

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

	2024 £000	2023 £000
Separately disclosed items		
Separately disclosed items within administration expenses:		
- Acquisition costs	41	-
- Amortisation of acquired intangibles (note 11)	820	906
- Accelerated depreciation of old website	241	-
- Impairment of Fixed assets)	246	-
- Impairment of goodwill (note 10)	25,070	13,026
- Impairment of right of use asset (note 21)	81	456
- Negative goodwill (note 24)	(2,205)	-
- Share-based payment costs (note 22)	729	462
- Release of lease liability of property closed in FY23	-	(412)
- Restructuring	2,581	1,919
Total separately disclosed items	27,888	16,356

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 2024 restructuring costs included £377k relating to the exit of members of the previous leadership team, £441k related to the acquisition of Thorite and £1,705k related to the organisation redesign and One Flowtech project.

Geographical and category analysis of revenue

The Group operates primarily in the UK, The Netherlands, Belgium and 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 2024	Sale of goods £000	Contracts £000	On-site services £000	Total revenue £000	Non-current assets £000
United Kingdom	79,864	5,420	1,279	86,563	55,411
Europe	19,502	332	-	19,834	1,396
Rest of the World	885	-	-	885	-
Total	**100,251**	**5,752**	**1,279**	**107,282**	**56,807**

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

No customers of the Group account for 10% or more of the Group's revenue for either of the years ended 31 December 2024 or 2023. Non-current assets are allocated based on their physical location. Revenue recognised at a point in time was £101,571k (2023: £109,953k) and revenue recognised over time was £5,371k (2023: £2,142k).

Some contract works begun during the year were still in progress at the end of the year. For 2024, revenue includes £Nil (2023: £174k) included in the contract liability balance at the beginning of the reporting period.

Contract balances	31 December 2024 £000	31 December 2023 £000	1 January 2023 £000
Trade receivables	1,061	946	1,216
Advances received for contract works	-	-	174
Deferred service revenue	-	-	-
Total contract liabilities	**1,061**	**946**	**1,390**

4. Operating loss/profit

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

	2024 £000	2023 £000
Depreciation of property, plant and equipment under right-of-use assets (note 21)	**1,532**	1,810
Depreciation and impairment of tangible assets (note 13)	**1,788**	1,363
Amortisation of intangible assets – website (note 11)	**241**	210
Amortisation of intangible assets – customer relationships and brands (note 11)	**820**	906
Impairment of intangible asset	**284**	-
Impairment of goodwill (note 10)	**25,070**	13,026
Impairment of right of use asset (note 21)	**81**	456
Impairment loss/(gain) on trade receivables and prepayments	**10**	10
Loss on foreign currency transactions	**(151)**	(9)
Repairs and maintenance expenditure on plant and equipment	**16**	292

Services provided by the Group's Auditor	2024 £000	2023 £000
Audit of the statutory consolidated and Company financial statements of Flowtech Fluidpower plc	**112**	95
Amounts receivable by the Company's Auditor and its associates in respect of: Audit of financial statements of subsidiaries of the Company	**276**	226

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 2024	Number 2024
Assembly and distribution	276	270
Administration	320	311
Total*	**596**	**581**
Payroll costs of these people were as follows:	**2024 £000**	**2023 £000**
Wages and salaries (*)	22,628	20,626
Social security costs	2,483	2,241
Contributions to defined contribution pension plans	714	730
Share based payments (note 22)	729	462
Total	**26,660**	**24,059**

* The acquisition of Thorite contributed an average of 30 additional employees to 2024 numbers.

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'.

	2024 £000	2023 £000
Remuneration	813	834
Compensation for loss of office	-	169
Bonus	-	61
Social security costs	105	130
Benefits in kind	5	9
Total	**923**	**1,203**

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

	2024 £000	2023 £000
Highest paid Director's		
Remuneration	363	134
Compensation for loss of office	-	169
Bonus	-	-
Social security costs	49	32
Benefits in kind	1	7
Total highest paid Director's remuneration	**413**	**342**

6. Financial expenses

Finance expenses for the year consist of the following:	2024 £000	2023 £000
Finance expense arising from:		
Interest on revolving credit facility	1,417	1,419
Overdraft interest	-	-
Amortisation of loan arrangement fee	44	80
Other financing costs	153	17
Total bank interest	1,614	1,516
Interest on lease liabilities	222	221
Total lease interest	222	221
Total finance expense	**1,836**	**1,737**

7. Taxation

Recognised in the income statement

Continuing operations:	2024 £000	2023 £000
Current tax expense		
UK Corporation tax	130	146
Overseas tax	93	292
Adjustment in respect of prior periods	47	184
Current tax expense	270	622
Deferred tax		
Origination and reversal of temporary differences	(771)	49
Adjustment in respect of prior periods	(170)	217
Change in tax rate	-	(13)
Deferred tax (credit)/charge	(941)	253
Total tax (credit) / charge - continuing operations	**(671)**	**875**

Reconciliation of effective tax rate	2024 £000	2023 £000
Loss profit for the year	(26,406)	(12,977)
Total tax (expense)	671	(875)
Loss excluding taxation	(27,077)	(12,102)
Tax using the UK corporation tax rate of 25% (2023: 23.5%)	(6,778)	(2,846)
Impact of change in tax rate on deferred tax balances	-	1
Amounts not deductible	6,016	3,412
Adjustment in respect of prior periods	101	401
Other adjustments	140	37
Other tax reliefs and transfers	(150)	(130)
Total tax expense in the income statement - continuing operations	**(671)**	**875**

8. Dividends

	2024 £000	2023 £000
Final dividend of 2.2p (2023: 2.1p) per share	1,383	1,289
Total dividends	**1,383**	**1,289**

The amount reflected in the table is the final dividend of 2.2p in respect of FY23's performance which was paid during the year on 19 July 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 2024			Year ended 31 December 2023		
	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	(26,406)	62,526	(42.23p)	(12,977)	61,493	(21.10p)

	2024 £000	2023 £000
Weighted average number of ordinary shares for basic and diluted earnings per share	62,526	61,493
Impact of share options	85	97
Weighted average number of ordinary shares for diluted earnings per share	**62,441**	**61,590**

10. Goodwill

	2024 £000	2023 £000
Cost		
Balance at 1 January	63,164	63,164
Balance at 31 December	63,164	63,164
Impairment		
At 1 January	23,098	10,072
Impairment charge	25,070	13,026
At 31 December	48,168	23,098
Carrying amount at 31 December	14,996	40,066

Background

Goodwill impairment is monitored for groups of CGUs. The CGU groupings are split across the three geographical segments.

The carrying amounts of goodwill allocated now stands as at 31 December 2024 are:

Geographical segment	£000 unaudited
Great Britain	13,127
Island of Ireland	1,869
Benelux	-
Total	**14,996**

Impairment tests

The carrying amount of goodwill in each geographical segment 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 geographical segment based on discounted cash flows of future period forecasts. Management prepared forecasts for a five-year period and all forecasts have been approved by the Board.

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

Goodwill impairment charges in 2024

In total an impairment charge of £25,620,000 has been taken in 2024, of which £25,070,000 was taken against Goodwill, £246,000 against fixed assets, £284,000 against intangible assets and £20,000 against right of use assets. The split of impairment charge by geographical segment is shown below:

- **Great Britain** - £22,005,000 which relates entirely to Goodwill
- **Island of Ireland** - NIL
- **Benelux** - £3,615,000 split £3,065,000 in relation to goodwill, £246,000 in relation to fixed assets, £284,000 in relation to intangible assets and £20,000 in relation to Right of Use Assets

Recent announcements relating to trade tariffs were non-adjusting post balance sheet events; as such any associated impact (which we do not deem to be material) has not been taken into account in the cash flow forecasts used for impairment testing.

Great Britain

An impairment charge of £22,005,000 has been taken; Comprising entirely of an impairment to Goodwill. This leaves a balance of goodwill of £13,127,000. 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 15.47% and revenue growth rates of 19.7% in 2025, 9.9% in 2026, 7.3% in 2027, 2.5% in 2028 and 2% in 2029 and beyond.

The 2025 growth rate is materially impacted by a full year contribution from Thorite (acquired August 2024). The calculation is extremely sensitive to any movement in these assumptions. With regards to movements in the long-term revenue growth assumptions, the impact of a 1% decrease would increase the impairment charge by approximately £4.4m whilst a 1% increase would decrease the impairment charge by approximately £5.4m. Movements in revenue and discount rates are considered the factors to which the value in use calculation is most sensitive.

Benelux

An impairment charge of £3,615,000 has been taken; this comprises £3,065,000 in relation to goodwill, £246,000 in relation to fixed assets, £284,000 in relation to intangible assets and £20,000 in relation to Right of Use Assets. This leaves the balance of goodwill, intangible assets, fixed assets and ROU assets at £Nil as at the impairment date. 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 15.29% and revenue growth rates of 8.3% in 2025, 10.0% in 2026, 8.5% in 2027 and 2% in 2028 and beyond. The calculation is extremely sensitive to any movement in these assumptions. Due to the Goodwill in the Benelux group of CGU's being fully impaired at the assessment date no further impairment would arise on sensitivity analysis.

11. Other intangible assets

	Acquired Customer relationships		Acquired Brands		Website		Total	
	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000
Balance at 1 January	9,371	9,371	1,173	1,173	1,094	973	11,638	11,517
Additions	800	-	257	-	1,764	121	2,821	121
Balance at 31 December	10,171	9,371	1,430	1,173	2,858	1,094	14,459	11,638
Balance at 1 January	7,632	6,726	1,173	1,131	304	94	9,109	7,993
Amortisation	778	906	43	42	469	210	1,290	1,116
Impairment	284	-	-	-	-	-	284	-
Balance at 31 December	8,693	7,632	1,216	1,173	773	304	10,683	9,109
Carrying amount at 31 December	1,477	1,739	214	-	2,085	790	3,776	2,529

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%
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 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 and 1 January 2024	1,345	17,582	814	**19,741**
Additions	-	1,506	40	**1,546**
Disposals	-	-	(65)	**(65)**
Effect of movements in foreign exchange	-	(64)	(12)	**(76)**
Balance at 31 December 2024	1,345	19,024	777	**21,146**
Depreciation and impairment				
Balance at 1 January 2023	289	9,924	486	**10,699**
Depreciation charge for the year	48	1,190	125	**1,363**
Disposals	-	(122)	(1)	**(123)**
Other movement	-	(43)	-	**(43)**
Effect of movements in foreign exchange	-	20	3	**23**
Balance at 31 December 2023	337	10,969	613	**11,919**
Depreciation charge for the year	55	1,409	78	**1,542**
Disposals	-	-	(47)	**(47)**
Impairment	-	246	-	**246**
Effect of movements in foreign exchange	-	(51)	(9)	**(52)**
Balance at 31 December 2024	392	12,573	635	**13,600**
Net book value				
At 31 December 2024	953	6,451	142	**7,546**
At 1 January 2024	1,008	6,610	205	**7,822**
At 1 January 2023	1,056	5,904	274	**7,234**

Included in land and property is land at a cost of £145,000 which is not depreciated (2023: £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	
	2024 £000	2023 £000	2024 £000	2023 £000
Intangible assets	-	-	(324)	(434)
Property, plant and equipment	-	-	(1,045)	(1,114)
Provisions	48	14	-	-
Losses and other deductions	530	-	-	-
Tax assets/(liabilities)	578	14	(1,369)	(1,548)
Net deferred tax liability	-	-	(791)	(1,534)

Movement in deferred tax during the year ended 31 December 2024

	1 January 2024 £000	Recognised in profit or loss £000	31 December 2024 £000
Intangible assets	(434)	110	(324)
Property, plant and equipment	(1,114)	69	(1,045)
Provisions	14	34	48
Losses and other deductibles	-	530	530
	(1,534)	743	(791)

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)

15. Inventories

	2024 £000	2023 £000
Finished goods and goods for resale	29,263	32,009

Charges for finished goods recognised as cost of sales in the year amounted to £58,813,000 (2023: £62,023,000). The write-down of inventories to net realisable value amounted to £(204,000) (2023: £768,000). The write-downs and reversals are included in cost of sales. The provision made against inventories at the year-end was £1,863,000 (2023: £1,891,000).

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

	2024 £000	2023 £000
Trade receivables	20,610	22,058
Other receivables	2,130	1,667
Trade and other receivables	**22,740**	**23,725**

The ageing of trade receivables at the Statement of Financial Position date was:

	Gross 2024 £000	Impairment 2024 £000	Gross 2023 £000	Impairment 2023 £000
Not past due	13,739	66	14,228	53
Past due 0-30 days	4,870	23	5,904	22
Past due 31-60 days	875	55	572	30
Past due 61-90 days	303	20	444	23
More than 90 days past due	1,052	64	1,079	41
	20,839	**229**	**22,227**	**169**

The overall expected credit loss rate is 1.1% (2022: 0.8%).

The movement in the allowance of impairment in respect of trade receivables during each year was as follows:

	2024 £000	2023 £000
Balance at 1 January 2024	169	195
Net change due to acquisitions and disposals of subsidiaries	124	
Provision utilised	(50)	(18)
(Decrease)/Increase in provision	(14)	(8)
Balance at 31 December 2024	**229**	**169**

17. Cash & cash equivalents

	2024 £000	2023 £000
Cash and cash equivalents:		
Sterling	297	3,950
Euro	1,532	1,220
Dollar	10	14
Total cash and cash equivalents	1,839	5,184

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.

	2024 £000	2023 £000
Non-current liabilities		
Revolving credit facility ($)	16,913	19,915
Lease liabilities	3,743	3,822
Total non-current liabilities	20,656	23,737
Current liabilities		
Revolving credit facility	-	-
Lease liabilities	1,694	1,695
Total current liabilities	1,694	1,695
Total	22,350	25,432

($) RCF loan arrangement fee of £120,000 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, £45,000 amortisation charge is charged to the income statement during 2024 (2023: £83,000). The unamortised value of the loan fee as at 31 December 2024 of £87,000 is netted off against the RCF Facility of £20,000,000 which has a balance at the year-end of £17,000,000.

Terms and debt repayment schedule	Currency	Nominal interest rate	Year of maturity	Carrying value 2024 £000	Carrying value 2023 £000
Secured revolving credit facility	GBP	SONIA+ 2.40%	2027	17,000	20,000
Lease liabilities	GBP	Various	2021 to 2031	4,960	4,890
Lease liabilities	EUR	Various	2021 to 2027	477	626
				22,437	25,516

This is the outstanding amount of the £20m facility which carries a nominal interest rate of SONIA + 2.40% and is subject to a non-utilisation fee of 0.84% The £20m 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.

19. Trade & other payables

	2024 £000	2023 £000
Current liabilities		
Trade payables	13,975	13,594
Accrued expenses and deferred income	4,492	5,802
Social security and other taxes	2,399	2,162
	20,866	**21,558**

Accrued expenses and deferred income is broken down as follows:

	2024 £000	2023 £000
Accrued expenses	3,841	3,577
Deferred income	651	2,225
Contract liabilities – advances received for contract work	-	-
Contract liabilities – deferred service revenue	-	-
	4,492	**5,802**

20. Provisions

	2024 £000	2023 £000
Opening balance	330	317
Amount utilised during year	(19)	(192)
Amount provided/(released) in the year	(134)	207
Closing balance	**179**	**330**

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

	2024 £000	2023 £000
Current	-	-
Non-current	179	330
Total	**179**	**330**

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 2024	8,792	399	2,318	**11,509**
Additions	507	-	1,121	**1,628**
Disposals	-	-	(698)	**(698)**
Effect of movement in foreign exchange	(83)	-	(17)	**(100)**
Other movements	(904)	-	(61)	**(965)**
Balance at 31 December 2024	**8,312**	**399**	**2,663**	**11,374**
Depreciation and amortisation				
Balance at 1 January 2024	4,883	190	1,607	**6,680**
Depreciation charge for the year	948	57	528	**1,533**
Impairment	61	-	20	**81**
Disposals	-	-	(685)	**(685)**
Effect of movements in foreign exchange	(58)	-	(18)	**(76)**
Other Movements	(904)	-	(61)	**(965)**
Balance at 31 December 2024	**4,930**	**247**	**1,391**	**6,568**
Net book value				
At 31 December 2024	3,382	152	1,272	**4,806**
At 31 December 2023	3,909	209	711	**4,829**

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

	2024 £000	2023 £000
Depreciation charge of right-of-use assets		
Land and property	948	1,177
Plant, machinery and equipment	57	57
Motor vehicles	528	576
Interest expenses (included in finance cost)	225	219
Exchange movements in income statement	-	-
Total expense in the income statement relating to right-of-use assets	**1,758**	**2,029**

Analysis by length of liability

	As at 31 December 2024				As at 31 December 2023			
	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	1,112	57	525	**1,694**	1,241	57	396	**1,695**
Non-current	2,860	134	749	**3,743**	3,340	216	320	**3,822**
Total	3,972	191	1,274	**5,437**	4,581	273	716	**5,517**

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

	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 £714,000 (2023: £730,000).

22.2 Share-based employee remuneration

As at 31 December 2024, the Group maintained three 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.

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.

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	2024 number 000	2023 number 000
Approved plan				
21 May 2014	£1.00	4 April 2017 to 20 May 2024	-	225
8 August 2014	£1.26	4 April 2017 to 7 August 2024	-	12
			-	237
Unapproved plan				
21 May 2014	£1.00	4 April 2017 to 20 May 2024	-	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
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	70	90
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	75
			619	711
			619	**948**

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	237	1.01	711	0.95	948
Granted	-	-	-	-	
Lapsed	(12)	1.01	-	-	(12)
Forfeited	-	-	-	-	-
Exercised	(225)	1.01	(92)	0.93	(317)
Outstanding at 31 December 2024	**-**	**-**	**619**	**0.95**	**619**
Exercisable at 31 December 2024	**-**	**-**	**-**	**-**	**-**

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:

Date of grant	Exercise price	Exercise period	2024 number 000	2023 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	110	220
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	135
18 April 2024	1.00	18 April 2027 to 18 April 2034	2,235	-
			2,826	**701**

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	701	1.23
Granted	2,235	1.00
Exercised	110	1.00
Lapsed	-	1.26
Outstanding at 31 December 2024	2,826	1.06
Exercisable at 31 December 2024	-	-
Exercisable at 31 December 2023	-	-

Awards	CSOPs (Share price)
Number of awards (*)	2,200,000
Grant date	18 April 2024
Vesting period ends	3 years
Share price at date of grant	£0.98
Fair value at grant date	£0.22
Exercise price	£1
Volatility	33.70%
Option life	10 years
Exercisable from/to	18 April 2027 to 17 April 2034
Dividend yield	2.20%
Weighted average remaining contractual life	10 years

The consolidated income statement includes a charge of £729,000 (2023: £462,000) 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 2024	61,492,676	30,746
At 31 December 2024	**63,275,173**	**31,636**

24. Acquisitions & Disposals

On 23 August 2024, the Group acquired the Trade and assets of Thomas Wright/Thorite Group Limited a UK based supplier of pneumatics and hydraulics that were in administration. The total consideration was £764,000, which included initial cash consideration of £350,000. The value of assets and liabilities recognised as on acquisition are as follows:

	Book Value £000	Fair Value £000
Trade Debtors	2,781	2,667
Inventory	2,762	2,295
Intangible assets	-	1,056
Deferred tax liability	-	(200)
Other payables- retention of title claims	-	(699)
Other Payables	(352)	(388)
Borrowings – Invoice discounting facility	(1,695)	(1,695)
Total	**3,496**	**3,035**

	£000
Amount settled in cash	764
Less assets acquired	(3,035)
Legal fees	66
Negative Goodwill on acquisition	**2,205**

Consideration

The consideration consists of £350,000 initial consideration plus an additional £414,000 which was repaid to the administrator against the value of the recovered trade debtors. All consideration recognised has been settled as at 31 December 2024.

Fair values

The fair values included in the table above are provisional and subject to management estimations at the reporting date.

Intangible assets

The intangible assets recognised within the Group relate to the Thorite Brand at £256,000 and the Customer list at £800,000.

Thorite's contribution to Group results

The Thorite branches generated sales of £4,799,000 and an underlying profit before tax of £111,000; after accounting for £441,000 of restructuring cost, £87,000 amortisation of acquired intangibles and £524,000 of central recharges the actual result is a loss before tax of £948,000 between the 23 August 2024 and 31 December 2024. The central recharge cost is calculated as a proportion of total central costs, there has not been any incremental increase in central costs as a result of the Thorite acquisition.

25. Net cash from operating activities

	2024 £000	2023 £000
Reconciliation of (loss)/profit before taxation to net cash flows from operations		
Loss from continuing operations before tax	(27,077)	(12,102)
Depreciation and impairment of property, plant and equipment (note 13)	1,537	1,363
Depreciation on right-of-use assets (IFRS 16) (note 21)	1,526	1,810
Impairment of right-of-use assets (IFRS 16) (note 21)	82	456
Write off of right-of-use liability (IFRS 16)	-	(387)
Finance costs (note 6)	1,839	1,737
Loss on sale of plant and equipment	-	1
Amortisation of intangible assets	1,289	1,116
Impairment of fixed assets	246	-
Impairment of intangible assets	284	-
Negative goodwill	(2,205)	-
Impairment of goodwill (note 10)	25,070	13,026
Cash settled share options	(45)	-
Equity-settled share-based payment charge	729	462
Exchange differences on non-cash balances	(128)	(15)
Operating cash inflow before changes in working capital and provisions	3,147	7,467
Change in trade and other receivables	3,310	347
Change in stocks	4,864	(619)
Change in trade and other payables	(1,562)	2,086
Change in provisions	(239)	15
Cash generated from operations	9,520	9,296
Tax paid	(814)	(1,094)
Net cash generated/(used) from operating activities	**8,706**	**8,202**

26. Contingent liabilities & commitments

The Group had capital expenditure of £735,000 contracted for but not provided at 31 December 2024 (2023: £Nil).

27. 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:

	2024 £000	2023 £000
Bryce Brooks (stepped down as CEO on 12 April 2023)	-	6
Russell Cash	1	1
Roger McDowell	24	15
Nigel Richens (stepped down as NED on 25 April 2023)	-	1
Mike England	1	-
Stuart Watson	-	-
Jamie Brooke	5	2
Ailsa Webb	1	1
	32	**26**

28. Financial instruments

28.1 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 2024 £000	Fair value 2024 £000	Carrying amount 2023 £000	Fair value 2023 £000
Loans and receivables				
Cash and cash equivalents (note 17) (*)	1,839	1,839	5,184	5,184
Trade and other receivables (note 16) (*)	22,740	22,740	23,725	23,725
Total financial assets measured at amortised costs	24,579	24,579	28,909	28,909
Financial assets	24,579	24,579	28,909	28,909
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 18)	(22,437)	(22,437)	(25,516)	(25,516)
Trade payables and accruals (note 19) (*)($)	(17,816)	(17,816)	(17,171)	(17,171)
Total financial liabilities measured at amortised cost	(40,253)	(40,253)	(42,687)	(42,687)
Total financial liabilities	(40,253)	(40,253)	(42,687)	(42,687)
Total financial instruments	(15,494)	(15,494)	(13,778)	(13,778)

(*) 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 £13,175k of trade payables and £3,841k 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.

28.2 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:

	2024 £000	2023 £000
UK	**16,535**	18,702
Europe	**3,457**	3,256
Rest of the World	**35**	100
	20,026	**22,058**

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.

28.3 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 Statement of Financial Position 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 2024	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 £000
Non-derivative financial liabilities						
Liabilities relating to right-of-use assets	5,437	5,534	1,573	1,573	1,304	669
Revolving credit facility	16,913	20,621	1,207	1,207	18,207	-
Trade payables and accrued expenses	17,816	17,816	17,816	-	-	-
	40,166	**43,971**	**20,596**	**2,780**	**19,511**	**669**

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 £000
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**

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

28.4 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 2024	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Cash and cash equivalents	297	1,532	10	-	1,839
Trade and other receivables	19,010	3,600	-	-	22,610
Revolving credit facility	(16,913)	-	-	-	(16,913)
Liabilities relating to right-of-use assets	(4,960)	(477)	-	-	(5,437)
Trade payables and accrued expenses ($)	(13,706)	(3,689)	(421)	(0)	(17,016)
Net exposure	**(16,272)**	**966**	**(411)**	**(0)**	**(14,917)**

($) Trade payables and accruals includes £13,975k of trade payables and £3,841K of accrued expenses. Deferred income is excluded.

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)**	**(13,603)**

Sensitivity analysis

A 10% weakening of the following currencies against the pound sterling at 31 December 2024 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 2023.

Profit or loss and equity	2024 £000	2023 £000
€	(88)	135
$	107	43

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	2024 £000	2023 £000
€	37	(165)
$	(46)	(52)

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	2024 £000	2023 £000
Financial liabilities (carrying value)	16,913	19,915

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.

	2024 £000	2023 £000
Equity		
Increase of 100 basis points	(170)	(200)
Decrease of 100 basis points	170	200
Profit or loss		
Increase of 100 basis points	(170)	(200)
Decrease of 100 basis points	170	200

28.5 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.

29. Subsequent events

It is the opinion of the directors that there are no material subsequent events to disclose.

Company income statement	Note	2024 £000	2023 £000
Continuing operations			
Administrative expenses		(37,160)	(2,244)
Operating loss		(37,160)	(2,244)
Financial income	E	2,000	2,000
Financial expenses	E	(1,462)	(1,499)
Net financing income		538	501
(Loss)/Profit from continuing operations before tax		(36,622)	(1,743)
Taxation	F	467	-
(Loss)/Profit for the year attributable to the owners of the parent		(36,155)	(1,743)

Company statement of financial position	Note	2023 £000	2022 £000
Fixed assets			
Investments	I	24,804	59,685
Total fixed assets		24,804	59,685
Current assets			
Cash and cash equivalents		2	8
Trade and other debtors	J	74,578	75,965
Total current assets		74,580	75,973
Creditors: amounts falling due within one year			
Interest-bearing loans and borrowings	K	-	-
Trade and other creditors	L	12,975	10,980
Total creditors: amounts falling due within one year		12,975	10,980
Net current assets		61,605	64,993
Total assets less current liabilities		86,409	124.987
Creditors: amounts falling due after more than one year			
Interest-bearing loans and borrowings	K	16,913	19,915
Total creditors: amounts falling due after more than one year		16,913	19,915
Net assets		69,496	104,762
Capital and reserves			
Called up share capital	N	31,637	30,746
Share premium account		61,662	60,959
Other reserves		187	187
Merger relief reserve		453	453
Retained earnings		(24,443)	12,417
Total equity		**69,496**	**104,762**

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 2023	30,746	60,959	187	453	14,988	107,333
Profit 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 1 January 2024	30,746	60,959	187	453	12,417	104,762
(Loss) for the year	-	-	-	-	(36,155)	(36,155)
Total comprehensive income for the year	-	-	-	-	(36,155)	(36,155)
Transactions with owners						
Equity dividends paid (note G)	-	-	-	-	(1,383)	(1,383)
Issue of share capital	891	703	-	-	-	1,594
Share options – granted to subsidiary employees	-	-	-	-	702	702
Share options settled	-	-	-	-	(24)	(24)
Total transactions with owners	891	703	-	-	(705)	889
Balance at 31 December 2023	31,637	61,662	187	453	(24,443)	(69,496)

(*) Retained earnings and share based payment reserve.

The financial statements on pages 66-108 were approved by the Board of Directors on 8 April 2025 and were signed on its behalf by:

Russell Cash, Chief Financial Officer

Company Registration Number: 09010518
8 April 2025

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 2024 were authorised for issue by the Board of Directors on 8 April 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 2024.

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 andEquipment';

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% (2024: 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 2024 is £24,804,000 (2023: £59,685,000). 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 £74,052,000 (2023: £75,841,000). 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:

	2024 £000	2023 £000
Audit of the statutory financial statements of Flowtech Fluidpower plc	112	95

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:

	2024 £000	2023 £000
Administration	6	7

The aggregate payroll costs of these persons were as follows:

	2024 £000	2023 £000
Renumeration	813	695
Bonus	-	61
Social security costs	105	96
Benefits in kind	5	9
	1,013	863

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

	2024 £000	2023 £000
Highest paid Director's remuneration		
Renumeration	363	134
Compensation for loss of office	-	169
Bonus	-	-
Social security costs	49	32
Benefits in kind	1	7
Total highest paid Director's remuneration	413	342

E. Financial income & expense

Finance income for the year consists of the following:

	2024 £000	2023 £000
Finance income arising from:		
Dividends received from Group undertakings	2,000	2,000
Total finance income	2,000	2,000

Finance expenses for the year consist of the following:

	2024 £000	2023 £000
Finance income arising from:		
Bank loans and revolving credit facility, and amortisation of loan arrangement fee	1,462	1,499
Total finance income	1,462	1,499

F. Taxation

Reconciliation of effective tax rate	2024 £000	2023 £000
(Loss)/Profit for the year	(1,574)	(1,743)
Total (credit)/tax expense	466	-
(Loss)/Profit excluding taxation	(1,108)	(1,743)
Tax using the UK corporation tax rate of 23.52% (2022: 19.00%)	(394)	(410)
Impact of change in tax rate on deferred tax balances	-	-
Deferred tax movements not recognised	-	-
Group relief	295	880
Income not taxable	(500)	(470)
Adjustments in respect of prior periods	(2)	-
Amounts not deductible	136	-
Total (credit)/tax expense in the income statement	(467)	-

G. Dividends

	2024 £000	2023 £000
Final dividend of 2.2p (2022: £2.1) per share	1,383	1,289
Total dividends	1,383	1,289

The final dividend of 2.2p in respect of FY24's performance was paid on 19 July 2024. There will not be a dividend in FY25 related to FY24's performance.

H. Share-based payments

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

I. Dividends

	Investments in subsidiaries' unlisted shares £000	Subsidiaries' share-based payment reserves £000	Total £000
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
At 1 January 2024	59,024	661	59,685
Additions net of exercise of options in the year	-	167	167
Impairment	(35,048)	-	(35,048)
At 31 December 2024	23,976	828	24,804

J. Trade and other debtors

	2024 £000	2023 £000
Current:		
Deferred tax asset	466	-
Prepayments and accrued income	60	124
Amounts owed by Group undertakings *	74,052	75,841
Total trade and other debtors	74,578	75,965

*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

	2024 £000	2023 £000
Non-current liabilities:		
Revolving credit facility	16,913	19,915
Total non-current liabilities	16,913	19,915
Total current liabilities	-	-
Total interest-bearing loans and borrowings	16,913	19,915

L. Trade and other creditors

	2024 £000	2023 £000
Social security and other taxes	225	157
Accruals and deferred income	246	253
Amounts owed to other Group undertakings	12,505	10,570
Total trade and other creditors	**12,976**	**10,980**

M. Deferred taxation

	2024 £000	2023 £000
At start of year	1	1
Total deferred tax credit in profit and loss account for the year	465	-
At end of year	**466**	**1**

N. Share Capital

	Number	£000
At 1 January 2024	61,275,173	31,632
At 31 December 2024	**61,275,173**	**31,632**

O. Contingent liabilities & commitments

The Company has no capital expenditure contracted for but not provided as at 31 December 2024 (2023: 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 £54,000 (2023: £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:

	2024 £000	2023 £000
Underlying operating profit (result)	2,650	5,989
Less Separately disclosed items:		
- Acquisition costs	(41)	
- Amortisation of acquired intangibles (note 11)	(820)	(906)
- Impairment of acquired intangibles (note 11)	(241)	-
- Impairment of goodwill (note 10)	(246)	-
- Impairment of leased assets (note 21)	(25,070)	(13,026)
- Share-based payment costs (note 22)	(284)	
- Release of lease liability of property closed in FY23	(81)	(456)
'- Negative goodwill	(729)	(462)
- Restructuring	-	(412)
	2,205	
Operating profit	(2,581)	(1,919)
	(27,888)	
	(25,238)	

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:

	2024 £000	2023 £000
Underlying EBITDA (result)	5,941	9,372
Less Depreciation and Amortisation		
- Amortisation of website (note 11)	(228)	(210)
- Depreciation of fixed assets (note 10)	(1,537)	(1,363)
- Depreciation of ROU Assets (note 21)	(1,526)	(1,810)
	(3,291)	(3,383)
Underlying Operating Profit	2,650	5,989

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	2024 £000	2023 £000
Administrative expenses before separately disclosed items	34,196	30,740
Distribution expenses	4,169	4,534
Total	38,,365	35,274

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 £17m 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.

	2024 £000	2023 £000
Cash and Cash equivalents (Note 17)	1,839	5,184
Interest bearing borrowings (Note 17)	(16,913)	(19,915)
Net Debt	15,074	14,731

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.

	2024 £000	2023 £000
Inventories (Note 15)	29,263	32,009
Trade and other receivables (Note 16)	22,740	23,725
Prepayments	1,053	856
Trade and other payables (Note 19)	(20,866)	(21,558)
Working capital	32,190	35,032

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