Issued on behalf of Flowtech Fluidpower PLC
Date: Tuesday, 17 April 2018
Immediate Release

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

FLOWTECH FLUIDPOWER PLC

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

Final statement of results for the year ended 31 December 2017

"The benefits of our acquisition strategy are apparent in the financial performance of the Group, with six new companies acquired throughout the year. This acquisition activity has strengthened our position with important pan-European and global branded suppliers, enhanced our technical strength, and reinforced our position in our current core geographies of UK, Ireland, and Benelux."

Malcolm Diamond MBE, Chairman

FINANCIAL HIGHLIGHTS	2017	2016
• GROUP REVENUE[1]	**£78.3m**	£53.8m
• GROUP OPERATING PROFIT[1]	**£6.61m**	£6.14m
• EARNINGS PER SHARE[1]	**9.69p**	10.17p
• 5% INCREASE IN DIVIDEND:		
➢ Half year paid	**1.93p**	1.84p
➢ Proposed final dividend	**3.85p**	3.67p
➢ Total for the year	**5.78p**	5.51p
• CASH GENERATION FROM OPERATIONS	**£6.60m**	£4.17m
• NET DEBT	**£14.9m**	£13.1m

1. All results relate to continuing operations

UNDERLYING FINANCIAL HIGHLIGHTS	2017	2016
• UNDERLYING OPERATING PROFIT[2]	**£9.08m**	£7.45m

2. Underlying operating profit is continuing operations' operating profit before acquisition costs, amortisation of intangible assets, share-based payment costs and restructuring costs

"We aim to have a market position as a full-service supplier of fluid power products and services. The ongoing expansion of ranges will see the Group capture a greater percentage of current customer spend and also open up new business opportunities in the wider market".

Sean Fennon, CEO

- Revenue growth of 46% on previous year
- Underlying operating profit growth of 21.9% on previous year, and in line with market expectations
- Group operating profit growth of 7.7% on previous year
- Divisional gross margins maintained despite negative currency pressures
- Six acquisitions in 2017 in line with strategy, followed by Balu Limited in early 2018.
- Redevelopment of office space and creation of a centralised logistics centre in England's North West.
- New Onsite Services division announced
- Pan European expansion commenced with acquisition of Hydroflex
- New Regional Managing Directors appointed for UK and Ireland, and Benelux.

Presentation of results: a presentation of results will be held today 10.30am-11.30am at the offices of our joint broker, finnCap, 60 New Broad Street, London EC2M 1JJ. A dial in facility is also available on request; please call Fiona Tooley on +44 (0) 7785 703523 or email fiona@tooleystreet.com.

Note:
The Group has today also released its Trading Update for the period ended 31 March 2018

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EDITORS NOTES

About Flowtech Fluidpower plc

Founded as Flowtech in 1983, the Flowtech Group is the UK's leading specialist supplier of technical fluid power products. The business joined AiM in 2014. Today, the Group has four distinct divisions:

Division:	What we do:	Locations:
Flowtechnology	Focus on supplying distributors and resellers of industrial MRO products, primarily serving urgent orders rather than bulk offerings. It offers an unrivalled range of OEM and Exclusive Brand products to over 3,400 distributors and resellers. The division has created a definitive co-ordinated approach to three major catalogue brands in the UK market place, providing the definitive source for fluid power products, containing over 100,000 individual product lines and are distributed to more than 80,000 industrial MRO end users.	Flowtechnology Benelux (Deventer) Flowtechnology China (Guangzhou) Flowtechnology UK (Skelmersdale) Indequip (Skelmersdale) Beaumanor (Leicester)
Power Motion Control (PMC)	Specialise in the design, assembly and supply of engineering components and hydraulic systems and is further enhanced by a service and repair function.	Primary Fluid Power (Knowsley) Nelson Fluid Power (Dublin, Dungannon, Lisburn,) TripleSix (West Yorkshire) Albroco (Knowsley) Hydraulics & Transmissions (Ludlow) HiPower Hydraulics (Belfast, Cork, Dublin, Manchester) Hydroflex (Brussels, OudBeijerland, Rotterdam) Hydraulic Equipment Supermarkets (Birmingham, Durham, Gloucester, Leeds) Branch Hydraulics (Gloucester) Derek Lane (Newton Abbot)
Process	Focus on the supply of industrial components and solutions to the process sectors.	Hydravalve (Willenhall) Orange County (Spennymoor)
Onsite Services	In 2018, the Group will extend its service offering to include Onsite Technical Maintenance through highly skilled engineers.	HES Onsite (Birmingham, Durham, Leeds, Gloucester)

All four of the Group's divisions have overlapping product sets, allowing procurement synergies to be maximised.

The above divisions are supported by a centralised back office team at the Skelmersdale operation, shared logistics centres in Skelmersdale and Leicester and, a procurement and quality control team in Shanghai. In total, the business now employs over 550 people. For more information please visit, www.flowtechfluidpower.com

FLOWTECH FLUIDPOWER PLC

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

Final statement of results for the year ended 31 December 2017

INTRODUCTION BY THE CHAIRMAN, MALCOLM DIAMOND MBE

When we floated our company in May 2014, it was with a commitment from the Board to instigate a medium to long term consolidation of the highly fragmented hydraulic and pneumatic industry, firstly, in the UK, and then to extend this strategy into Europe over the next foreseeable few years.

Our 2017 result reaffirms the Board's confidence in our strategy as we continue to expand and develop our capabilities both within the UK and internationally.

Despite a challenging outlook for the UK economy, in 2017 the fluid power market experienced a significant turnaround following two years of soft trading; presenting a period of opportunity, strengthened by European demand.

The Group achieved 46% growth in total revenue to £78.3m, 8% of which came from organic growth, 38% from acquisitions. Profit before tax for 2017 totalled £6m versus £5.5m in 2016. Earnings per share reached 9.69p in 2017 versus 9.96p in 2016.

This year there was a major refurbishment and redesign at the Skelmersdale site expanding capacity and streamlining the logistics operation will provide considerable scope for the profitable integration of future acquisitions. Moreover, it created modern office and meeting facilities for Flowtechnology UK, Indequip and Group employees. Pleasingly, this transition was completed with no disruption to customer service for the businesses which utilise this facility.

The benefits of our acquisition strategy are apparent in the financial performance of the Group, with six new companies acquired throughout the year, supported by the successful capital raising in March 2017. This acquisition activity has strengthened our position with important pan-European and global branded suppliers, enhanced our technical strength, and reinforced our position in our current core geographies of UK, Ireland, and Benelux. In addition to expanding our Process division, we have significantly expanded our Power Motion Control operations, offering additional design, build and component supply into new market sectors including; mobile, rail, and aerospace. I am confident these acquisitions will provide a solid foundation for future profitable growth.

From the outset, the Flowtech Fluidpower strategy has remained the same; to build a fluid power Group to serve all customer needs within the fluid power market. The addition of a fourth, 'Onsite Services' division will in time enable the Group to provide total fluid power solutions in technical component supply, niche product supply and installation, bespoke designed solutions and finally planned onsite maintenance and repair.

By focusing on selected customers, utilising the Group status and investing in machinery many of our businesses have been successful in winning new and ongoing sizeable supply contracts with billion-pound companies. Two such investments include the automatic hose-cutting machine at Nelson Hydraulics and the Parker pipework machinery at Group HES.

To summarise, it is clear that the Group is now entering an exciting stage of development as its ambitions for growth increasingly improve its market share within the UK and the Republic of Ireland, whilst being vigilant for opportunities to spread further into Europe, having managed the Benelux business into a healthy level of consistent performance.

Brexit consequences remain a relative unknown at this time, whilst forex movements and UK import prices have been well managed to date by our highly experienced and focused commercial management teams.

I continue to be impressed by the commitment and energy of not only our senior management, but also of our growing workforce and our business team leaders, and their ability to adapt to new and dynamic market opportunities that are arising constantly within our industry.

Finally, it was very pleasing to be given such valuable and widespread support for both the Board and the Executive Management team during the recent successful process to raise £11 million (before costs) in new capital for the Group in March and April of this current 2018 period. This has enabled us to complete the acquisition of our largest UK catalogue-based competitor Beaumanor, along with its sister business Derek Lane & Co.

The management will now focus its attention throughout the remainder of 2018 in leveraging the operational benefits that will accrue from not only this acquisition, but also the additions that were brought to the Group throughout this 2017 reporting period.

DIVIDEND

Subject to Shareholder approval at the Annual General Meeting which is to be held on 6 June 2018, the Directors are proposing a final dividend of 3.85p per share. This, together with the interim dividend of 1.93p (paid on 24 October 2017), brings the total for the year to 5.78p which again matches the commitment made at the date of the IPO of 5% growth. The outlook for further enhancement to dividend flow remains good and the Board would like to reiterate its view that the retention of a strong dividend policy is a foundation for the investment case in the Group.

SUMMARY OF 2017 RESULTS BY SEAN FENNON, CHIEF EXECUTIVE OFFICER & BRYCE BROOKS, CHIEF FINANCIAL OFFICER

OPERATIONAL REVIEW

	2017	2016	GROWTH
• GROUP REVENUE*	£78.3m	£53.8m	+45.5%
• GROSS PROFIT* • GROSS PROFIT %	£26.6m 33.9%	£19.1m 35.5%	+39.3% -1.6pps
• GROUP OPERATING PROFIT*	£6.61m	£6.14m	+7.7%
• UNDERLYING OPERATING PROFIT†	£9.08m	£7.45m	+21.9%

* All results relate to continuing operations
† Underlying operating result is continuing operations' operating profit before acquisition costs, amortisation of intangible assets, share-based payment costs and restructuring costs.

Reconciliation of underlying operating profit to operating profit

	2017 £'000	2016 £'000
Underlying operating profit	**9,081**	7,454
Less separately disclosed items (note 3)	**(2,467)**	(1,317)
Operating profit	**6,614**	6,137

We are again delighted to report a period of significant progress in the scope of our activities as a Group, with an uplift in revenue of 46% (2016: 20%), of which 38% is attributable to acquisition activity during the course of the year, with the balance of 8% derived from organic growth in our established operations. Below this we have seen a 7.7% (2016: 11.8%) increase in operating profit, and a 21.9% improvement in underlying operating profit (2016:8.5%). The well supported placing of shares in March 2017, which raised £9.6m, has been fully invested in businesses complementary to the Group's core strategy.

The material currency movements in 2016 which rapidly increased input prices across our product portfolio when sourced from Europe or the Far East, have predominantly been moved through our sales pricing structures, albeit with some initial resistance with OEM's. The UK fluid power sector has also experienced relatively buoyant conditions during 2017, which has continued into the early part of 2018, and it is particularly pleasing that the euro-based acquisitions made in the year, being Hi-Power and Hydroflex, have also made immediate contributions.

GROSS PROFIT MARGINS

Gross profit % remains one of our most important KPIs, and with the currency effects mentioned above, downward pressures were seen as a key risk to our progress as we entered 2017.

As a reminder, the Group is largely split into two separate and distinct pricing models:

- "Distribution" businesses – Flowtechnology and Process – who operate pricing policies based around smaller parcel size, a broader mix of Global Brand and Own-Brand products, and a "list less discount" model.
- PMC businesses who work in both pure component sales, that overlap with our distribution model, but also in markets where the precedent is for a more fixed approach to pricing to OEMs, and therefore have more challenging pricing issues to address.

It is therefore pleasing to report that in 2017 we were able to broadly maintain margins in each of our divisions as shown below, and of particular note in our core Flowtechnology division, which after careful selling price initiatives in the early part of the year, had a final outturn only 0.1% down on prior year. Overall Group margins were 1.6% below previous year, which was attributable to mix effects from acquisitions in the lower gross margin (but higher average order size) Power Motion Control division.

Gross profit %	2017	2016
Flowtechnology	**37.1**	37.2
Power Motion Control	**29.1**	29.2
Process	**41.8**	42.6
Group	**33.9**	35.5

ACQUISITIONS

Following the successful March fundraise, 2017 was our most active period since coming to market in 2014, and if we include the recent "Beaumanor" transaction (note 11), we completed seven deals in just over twelve months. Throughout the year we have worked on our "four layered" focus on synergy gain:

1. *Back Office* - typically accounting, insurance, banking, HR and IT.
2. *Commercial* - cross selling allowing our complementary skill sets to be exploited.
3. *Procurement* - a comprehensive and systematic approach to supplier pricing optimisation.
4. *Operational* - with over 400,000 square feet of operational facilities across its 26 sites, the Group now has significant resources when compared to just two sites in 2014.

Whilst back office savings generally start to feed through within one year, we believe that retention of brand identity, reputation and customer relationships remains critical, and especially so during the initial period when often long-standing customer and supplier relationships are most tested. As such our pursuit of other gains, and in particular those achievable from operational activities, is always tempered by a low risk approach to change, and we believe that a proper perspective will be available after at least a three-year period.

UNDERLYING OPERATING PROFIT

The underlying operating profit* can be summarised as follows:

Continuing operations Underlying operating profit*	2017 £000	2016 £000	Change £000	Change %
Flowtechnology	**7,524**	7,281**	243	3
Power Motion Control	**2,788**	1,823	965	53
Process	**1,105**	401	704	176
Central costs	**(2,335)**	(2,051) **	(284)	14
Underlying operating profit	**9,081**	7,454	1,627	22

* Underlying operating profit is continuing operations' operating profit before acquisition costs, amortisation of intangible assets, share-based payment costs and restructuring costs.

** Includes £346,000 of cost transferred from Central Costs to Flowtechnology following a department reorganisation effected on 1 January 2017.

FLOWTECHNOLOGY

%	2017	2016
Turnover	+6%	+6%
Underlying operating profit	+3%	+1%

POWER MOTION CONTROL (PMC)

%	2017	2016
Turnover	+120%	+36%
Underlying operating profit	+53%	+48%

PROCESS

%	2017	2016
Turnover	+120%	-
Underlying operating profit	+175%	-

CENTRAL COSTS

Now in an established format comprising Executive Management, Finance and IT departments, Divisional Sales and the cost of running the PLC, we continue to manage cost carefully, with the overall increase of 7% (2016: 21%). Planned increases for 2018 and beyond remain limited and are in support of the cost-out synergies being targeted at divisional level.

AQUISITION AND RESTRUCTURING COSTS

The total cost for the year represents 7.0% (2016: 9.5%) of the total consideration paid for acquisitions. The Group uses a mixture of professional advisers for due diligence services with a view to managing costs. Any initiatives to transfer to "internal" resources, with a view to reducing transaction costs, will be managed carefully.

Restructuring costs incurred during the year of £117,000 (2016: £84,000) primarily relate to the reorganisation of administrative functions following acquisition, as well as further streamlining of the Group following advice from our legal and tax advisers.

TAXATION

The tax charge for the year was £1.21 million (2016: £1.15m), with an effective tax rate of 17% (2016: 20.3%) and a blended tax rate based on the geographical regimes of 18.8% (2016: 19.5%).

STATEMENT OF FINANCIAL POSITION AND MANAGING WORKING CAPITAL

The net debt position at the year-end was £14.9 million (2016: £13.1m). The principal cash flow movements during the year were; cashflow from operating activities of £6.6million, cash spent on acquisitions of £14.3million, net proceeds of the March 2017 placing of £9.5million and dividends of £2.9million."

On top of strong operating profit growth, cash collections have remained consistent, with the total charge for bad and doubtful debt related issues being £38,000 (2016: £67,000), representing only 0.1% of turnover. In addition, net stock investment has been more than covered by trade supplier support, with a result that over the year the movement in total working capital has resulted in a net cash inflow of £0.1m (2016 an outflow of £1.8m).

The Group has undertaken its largest year of capital expenditure in its history with the central piece being redevelopment of the 25-year old facility at Skelmersdale. Expenditure to cover offices, car parking, racking, plant and IT development totalled £0.8m and has given the site a new long-term identity. Outside of this, IT systems development in order to ensure both resilience and efficiency remains a key focus, and again when coupled with our objective of achieving medium term synergy benefit from our acquisition programme.

On 1 March 2018, the Group entered into a restated facilities agreement with Barclays Bank plc to replace our existing facilities with a £16 million committed revolving credit facility and £4 million loan with a single "bullet" repayment at the end of a three-year term. Attached rates and terms were broadly consistent with those previously enjoyed.

PEOPLE

As a direct result of our acquisition activity during the course of the year, the depth and quality of the management teams across the Group continues to improve. Managing Directors appointed during the year include Alan Willis at HTL, Maurice Kearney at Hi-Power, Spencer Rogers at Orange County, Chris Way at HES and Dave Maher at Branch Hydraulics. In addition, in early 2018, following a review of our overall medium-term objectives, we introduced a regional Managing Director structure with the following appointments:

- Nick Fossey in the UK & Ireland with a focus on synergy extraction, cash generation and continued development of commercial and cross selling opportunities; and
- Mark Richardson in the Benelux with a focus on operational efficiencies between Hydroflex and Flowtechnology Benelux, and providing a platform for future growth by organic and acquisitive means in the region.

This change will allow Sean Fennon to have specific responsibility for the Acquisition integration plan, and in particular Beaumanor.

We are always acutely aware that our progress is achieved with the continued commitment and effort of all our employees – in both "new" and "old" businesses – and with enhanced profit sharing arrangements now available across the Group we are confident of our ability to attract and retain the best staff the industry can offer.

OUTLOOK

The growth made by acquisitive means in 2017 has resulted in time being invested in the careful integration of the businesses now covered by our operational reach. This focus will continue through 2018, as we seek to achieve synergistic benefit and capitalise on the entrepreneurial and technical skills of the new operations.

The Board does not intend to implement further significant acquisition activity in 2018, and our focus will therefore be on extracting valuable efficiencies from the businesses to date, and in particular:

- Expanding inter-company procurement and stock holding benefits by using logistics centres in Skelmersdale (FTUK) and Leicester (Beaumanor);
- A wider operational review to identify efficiencies that could be achieved through geographic consolidation of existing assets.
- Upgrading information systems, with Sage X3 financials to be implemented Group-wide by the end of 2018 giving a single reporting system for the Group with multi lingual and multi-currency capabilities;

That said, the heightened profile that Flowtech Fluidpower has established has enabled opportunities for further expansion to continue to be presented. It therefore remains a key part of our strategy to ensure we can exploit these openings, whilst retaining a stable financial and operational structure to ensure that the progress made to date is only enhanced.

Our objective remains growth through both acquisitive and organic means over the short, medium and long term. Our targeted approach ensures we can achieve both a concentration and enhancement to our product set - which lies at the centre of our business model – entirely focused on fluid power.

We have entered 2018 with confidence. Following our recent placing of shares raising a further £10.5m (after fees) the acquisition of Beaumanor adds a further significant element to our customer and supplier base.

Sean Fennon CEO
Bryce Brooks CFO
17 April 2018

"Across our four divisions we employ over 550 skilled people throughout the UK, ROI and Benelux. Our ongoing strategy guides how we work together as a Group of complementary businesses to achieve one shared purpose; to be the trusted provider of products, solutions and services to the fluid power market"

Bryce Brooks, CFO

FLOWTECH FLUIDPOWER PLC
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Final statement of results for the year ended 31 December 2017

Consolidated income statement	Note	2017 £000	2016 £000
Continuing operations			
Revenue		78,287	53,780
Cost of sales		(51,722)	(34,714)
Gross profit		26,565	19,066
Distribution expenses		(3,175)	(2,475)
Administrative expenses before separately disclosed items:		(14,309)	(9,137)
— Acquisition costs		(1,081)	(419)
— Amortisation of acquired intangibles		(768)	(569)
— Share based payment costs		(272)	(353)
— Restructuring costs		(117)	(84)
— Change in amounts accrued for contingent consideration		(229)	108
Total administrative expenses		(16,776)	(10,454)
Operating profit		6,614	6,137
Financial income	4	6	1
Financial expenses	4	(581)	(611)
Net financing costs		(575)	(610)
Profit from continuing operations before tax		6,039	5,527
Taxation	5	(1,207)	(1,146)
Profit from continuing operations		4,832	4,381
Loss from discontinued operations, net of tax		-	(91)
Profit for the year attributable to the owners of the parent		4,832	4,290
Earnings per share			
Basic earnings per share			
Continuing operations	7	**9.69p**	10.17p
Discontinued operations		**-**	(0.21p)
Basic earnings per share		**9.69p**	9.96p
Diluted earnings per share			
Continuing operations	7	**9.58p**	10.08p
Discontinued operations		**-**	(0.21p)
Diluted earnings per share		**9.58p**	9.87p

Consolidated statement of comprehensive income	2017 £000	2016 £000
Profit for the year	**4,832**	4,290
Other comprehensive income - items that will be reclassified subsequently to profit or loss		
Deferred tax movement on share-based payment reserve	**(28)**	-
Exchange differences on translating foreign operations	**279**	350
Total comprehensive income for the year attributable to the owners of the parent	**5,083**	4,640

FLOWTECH FLUIDPOWER PLC
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Final statement of results for the year ended 31 December 2017

Consolidated Statement of financial position

	Note	2017	2016
Assets		**£000**	**£000**
Non-current assets			
Goodwill		**57,938**	47,927
Other intangible assets		**7,430**	4,780
Property, plant and equipment		**6,070**	3,899
Total non-current assets		**71,438**	56,606
Current assets			
Inventories		**24,333**	16,592
Trade and other receivables		**20,866**	13,012
Prepayments		**800**	304
Cash and cash equivalents		**4,588**	3,824
Total current assets		**50.588**	33.732
Liabilities			
Current liabilities			
Interest-bearing loans and borrowings		**15,451**	12,888
Trade and other payables		**18,983**	8,625
Deferred and contingent consideration		**2,865**	1,420
Tax payable		**1,148**	975
Other financial liabilities		**11**	57
Total current liabilities		**38,458**	23,965
Net current assets		**12,130**	9,767
Non-current liabilities			
Interest-bearing loans and borrowings		**4,097**	4,081
Deferred and contingent consideration		**2,706**	212
Provisions		**341**	212
Deferred tax liabilities		**1,560**	1,019
Total non-current liabilities		**8,704**	5.524
Net assets		**74,864**	60,849
Equity directly attributable to owners of the parent			
Share capital	9	**26,409**	21,539
Share premium		**52,370**	46,880
Other reserves		**187**	-
Share based payment reserve		**589**	733
Shares owned by the Employee Benefit Trust		**(40)**	(338)
Merger reserve		**293**	293
Merger relief reserve		**3,194**	2,086
Currency translation reserve		**536**	257
Retained losses		**(8,674)**	(10,601)
Total equity		**74,864**	60,849

Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Other reserve £000	Share based payment 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 2016	21,539	46,880	—	380	(338)	293	2,086	(93)	(12,604)	58,143
Profit for the year	—	—	—	—	—	—	—	—	4,290	4,290
Other comprehensive income	—	—	—	—	—	—	—	350	—	350
Total comprehensive income for the year	—	—	—	—	—	—	—	350	4,290	4,640
Transactions with owners										
Share-based payment charge	—	—	—	353	—	—	—	—	—	353
Equity dividends paid	—	—	—	—	—	—	—	—	(2,287)	(2,287)
Total transactions with owners	—	—	—	353	—	—	—	—	(2,287)	(1,934)
Balance at 1 January 2017	21,539	46,880	—	733	(338)	293	2,086	257	(10,601)	60,849
Profit for the year	—	—	—	—	—	—	—	—	4,832	4,832
Other comprehensive loss	—	—	—	—	—	—	—	279	(28)	251
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**279**	**4,804**	**5,083**
Transactions with owners										
Issue of share capital	4,870	5,490	—	—	—	—	1,108	—	—	11,468
Shares options issued as consideration	—	—	187	—	—	—	—	—	—	187
Shares purchased by the EBT	—	—	—	—	(246)	—	—	—	—	(246)
Share-based payment charge	—	—	—	272	—	—	—	—	—	272
Share options settled	—	—	—	(416)	544	—	—	—	—	128
Equity dividends paid	—	—	—	—	—	—	—	—	(2,877)	(2,877)
Total transactions with owners	**4,870**	**5,490**	**187**	**(144)**	**298**	**—**	**1,108**	**—**	**(2,877)**	**8,932**
Balance at 31 December 2017	**26,409**	**52,370**	**187**	**589**	**(40)**	**293**	**3,194**	**536**	**(8,674)**	**74,864**

Consolidated Statement of cash flows

	Note	**2017 £000**	2016 £000
Cash flow from operating activities			
Net cash from operating activities	10	6,600	4,166
Cash flow from investing activities			
Acquisition of businesses, net of cash acquired		(11,798)	(3,677)
Acquisition of property, plant and equipment		(1,802)	(858)
Proceeds from sale of property, plant and equipment		22	52
Payment of deferred and contingent consideration		(1,649)	(1,031)
Net cash used in investing activities		(15,227)	(5,514)
Cash flows from financing activities			
Net proceeds from issue of share capital		9,531	-
Repayment of long term borrowings		(857)	(857)
Net change in short term borrowings		3,000	7,000
Repayment of finance lease liabilities		(58)	(37)
Interest received		6	1
Interest paid		(476)	(302)
Repayment of loan by EBT		722	-
Dividends paid		(2,877)	(2,287)
Net cash generated from/ (used in) financing activities		8,991	3,518
Net change in cash and cash equivalents		364	2,170
Cash and cash equivalents at start of year		3,824	1,725
Exchange differences on cash and cash equivalents		11	(71)
Cash and cash equivalents at end of year		4,199	3,824
Cash and cash equivalents		4,588	3,824
Bank overdraft		(389)	-
Cash and cash equivalents at end of year		4,199	3,824

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 2017	**4,000**	**12,857**	**112**	**16,969**
Cash flows:				
- Repayment	**-**	**(857)**	**(59)**	**(915)**
- Proceeds	**-**	**3,000**	**-**	**3,000**
Non-cash:				
- Acquisition	**-**	**-**	**106**	**107**
At 31 December 2017	**4,000**	**15,000**	**159**	**19,161**

FLOWTECH FLUIDPOWER PLC

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

Final statement of results for the year ended 31 December 2017

NOTES TO THE PRELIMINARY STATEMENT

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The final statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and IFRIC interpretations issued by the International Accounting Standards Board and the Companies Act 2006.

The Group has applied all accounting standards and interpretations issued relevant to its operations for the year ended 31 December 2017. The consolidated financial statements have been prepared on a going concern basis.

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined by section 434 and 435 of the Companies Act 2006. The financial information for the year ended 31 December 2017 has been extracted from the Group's financial statements upon which the auditor's opinion is unmodified and does not include any statement under section 498(2) or 498(3) of the Companies Act 2006. The statutory accounts for the year ended 31 December 2017 will be delivered to the Registrar of Companies following the Annual General Meeting.

The consolidated financial information has been prepared based on accounting policies set out in the Group's financial statements which are unchanged from 2016.

DISCONTINUED OPERATIONS

An operation is classed as discontinued when management have made the decision to either sell the operation or relocate the operation. Discontinued operation costs relate to surplus property costs.

GOING CONCERN

These financial statements have been prepared on a going concern basis. The Directors have prepared cash flow projections and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group's forecasts and projections, which take into account reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. Included in the forecasts and projections are cash inflows from the placing of new ordinary shares on 15 March 2018 and 4 April 2018, see note 11 for further details. Current banking facilities were renegotiated in March 2018 and are due for renewal in March 2021.

Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

2. SEGMENTAL REPORTING

Segment information for the reporting periods is as follows:

For the year ended 31 December 2017

	Flowtech-nology £000	Power Motion Control £000	Process £000	Inter-segmental transactions £000	Central Costs £000	**Total continuing operations £000**
Income statement – continuing operations:						
Revenue from external customers	**37,239**	**34,806**	**6,242**	**-**	**-**	**78,287**
Inter segment revenue	**1,746**	**340**	**105**	**(2,191)**	**-**	**-**
Total revenue	**38,985**	**35,146**	**6,347**	**(2,191)**	**-**	**78,287**
Underlying operating result	**7,524**	**2,788**	**1,105**	**-**	**(2,336)**	**9,081**
Net financing costs	**(13)**	**(15)**	**(19)**	**-**	**(528)**	**(575)**
Underlying segment result	**7,511**	**2,773**	**1,086**	**-**	**(2,864)**	**8,506**
Separately disclosed items (see note 3)	**(103)**	**(1,018)**	**(200)**	**-**	**(1,146)**	**(2,467)**
Profit/(loss) before tax	**7,408**	**1,755**	**886**	**-**	**(4,010)**	**6,039**
Specific disclosure items						
Depreciation	**446**	**179**	**24**	**-**	**-**	**650**
Amortisation	**19**	**609**	**140**	**-**	**-**	**768**
Reconciliation of underlying operating result to operating profit:						
Underlying operating result	**7,524**	**2,788**	**1,105**	**-**	**(2,336)**	**9 081**
Separately disclosed items (see note 3)	**(103)**	**(1,018)**	**(200)**	**-**	**(1,146)**	**(2,467)**
Operating profit/(loss)	**7,421**	**1,770**	**905**	**-**	**(3,482)**	**6,614**

For the year ended 31 December 2016

	Flowtech-nology £000	Power Motion Control £000	Process £000	Inter-segmental transactions £000	Central Costs £000	Total continuing operations £000
Income statement – continuing operations:						
Revenue from external customers	35,113	15,830	2,837	—	—	53,780
Inter segment revenue	1,645	585	199	(2,429)	—	—
Total revenue	36,758	16,415	3,036	(2,429)	—	53,780
Underlying operating result	7,626	1,823	402	—	(2,397)	7,454
Net financing costs	(1)	(65)	(39)	—	(505)	(610)
Underlying segment result	7,625	1,758	363	—	(2,902)	6,844
Separately disclosed items (see note 3)	(180)	40	(58)	—	(1,119)	(1,317)
Profit/(loss) before tax	7,445	1,798	305	—	(4,021)	5,527
Specific disclosure items						
Depreciation	389	112	24	—	—	526
Amortisation	16	488	65	—	—	569
Reconciliation of underlying operating result to operating profit:						
Underlying operating result	7,626	1,823	401	—	(2,397)	7,454
Separately disclosed items (see note 3)	(180)	40	(57)	—	(1,119)	(1,317)
Operating profit/(loss)	7,446	1,863	344	—	(3,516)	6,137

The Group's revenues from external customers for each sales category is as follows:

	2017	2016
	£000	£000
Sale of goods	**76,688**	53,780
Supply, installation and commissioning	**1,599**	-
Total	**78,287**	53,780

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographic areas:

	31 December 2017		31 December 2016	
	Revenue	**Non-current assets**	Revenue	Non-current assets
	£000	**£000**	£000	£000
United Kingdom	**64,504**	**65,754**	44,133	55,118
Europe	**12,299**	**5,684**	8,806	1,488
Rest of world	**1,484**	**-**	841	-
Total	**78,287**	**71,438**	53,780	56,606

No customers of the Group account for 10% or more of the Group's revenue for either of the years ended 31 December 2017 or 2016. Non-current assets are allocated based on their physical location. The above table does not include discontinued operations for which revenue and assets can be attributed to the UK.

Central costs relate to the service centre team and central activities, the Executive Management team, plc costs and finance expenses associated with Group loans and separately disclosed items (note 3).

3. SEPARATELY DISCLOSED ITEMS

	2017 £000	2016 £000
Separately disclosed items within administration expenses:		
– Acquisition costs	1,081	419
– Amortisation of acquired intangibles	768	569
– Share based payment costs	272	353
– Restructuring	117	84
– Change in amounts accrued for contingent consideration	229	(108)
Total separately disclosed items	2,467	1,317

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

4. FINANCIAL INCOME AND EXPENSE

Finance income for the year consists of the following:

	2017 £000	2016 £000
Finance income arising from:		
Interest income from cash and cash equivalents	**6**	1
Total finance income	**6**	1

Finance expenses for the year consist of the following:

	2017 £000	2016 £000
Finance expense arising from:		
Interest on invoice discounting and stock loan facilities	**8**	3
Interest on revolving credit facility	**262**	241
Finance lease interest	**10**	3
Bank loans	**88**	116
Other credit related interest	**12**	1
Total bank and other credit interest	**380**	364
Imputed interest on deferred and contingent consideration	**190**	174
Fair value losses on forward exchange contracts held for trading	**11**	73
Sub total	**201**	247
Total finance expense	**581**	611

5. TAXATION

Recognised in the income statement	**2017**	2016
Continuing operations:	**£000**	£000
Current tax expense		
Current year charge	**1,258**	1,285
Overseas tax	**167**	20
Adjustment in respect of prior periods	**(89)**	12
Current tax expense	**1,336**	1,317
Deferred tax		
Origination and reversal of temporary differences	**(111)**	(118)
Adjustment in respect of prior periods	**-**	(7)
Change in tax rate	**(18)**	(46)
Deferred tax credit	**(129)**	(171)
Total tax expense – continuing operations	**1,207**	1,146

No income tax was recognised in other comprehensive income or directly in equity for either of the years ended 31 December 2017 or 2016.

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit for the year	4,832	4,290
Total tax expense	1,207	1,124
Profit excluding taxation	6,039	5,414
Tax using the UK corporation tax rate of 19.25% (2016: 20.25%)	1,162	1,083
Deferred tax movements not recognised	38	33
Effect of share option exercises	(101)	-
Effect of tax rates in foreign jurisdictions	29	1
Effect of foreign branch exemption	(12)	-
Impact of change in tax rate on deferred tax balances	(8)	(46)
Income not chargeable	(96)	(22)
Amounts not deductible	284	70
Adjustment in respect of prior periods	(89)	5
Total tax expense in the income statement – continuing and discontinued	1,207	1,124

6. DIVIDENDS

	2017	2016
	£000	£000
Final dividend of 3.67p (2016: 3.50p) per share	**1,878**	1,499
Interim dividend of 1.93p (2016: 1.84p) per share	**999**	788
Total dividends	**2,877**	2,287

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2017 of 3.85p (2016: 3.67p) per share which will absorb an estimated £2.3 million of Shareholders' funds. This has not been accrued as it had not been approved at the year end. Subject to approval, it will be paid on 13 July 2018 to Shareholders who are on the register of members on 8 June 2018.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary Shareholders by the weighted average number of ordinary shares during the year.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

	Year ended 31 December 2017			Year ended 31 December 2016		
	Earnings £000	**Weighted average number of shares 000s**	**Earnings per share Pence**	Earnings £000	Weighted average number of shares 000s	Earnings per share Pence
Basic earnings per share						
Continuing operations	**4,831**	**49,835**	**9.69**	4,381	43,078	10.17
Discontinued operations	**-**	**49,835**	**-**	(91)	43,078	(0.21)
Basic earnings per share	**4,831**	**49,835**	**9.69**	4,290	43,078	9.96
Diluted earnings per share						
Continuing operations	**4,831**	**50,409**	**9.58**	4,381	43,456	10.08
Discontinued operations	**-**	**50,409**	**-**	(91)	43,456	(0.21)
Diluted earnings per share	**4,831**	**50,409**	**9.58**	4,290	43,456	9.87

	2017 £000	2016 £000
Weighted average number of ordinary shares for basic and diluted earnings per share	**49,835**	43,078
Impact of share options	**574**	378
Weighted average number of ordinary shares for diluted earnings per share	**50,409**	43,456

8. ACQUISITIONS

8.1 Acquisition of Hydraulics and Transmissions Limited

On 20 January 2017, the Group acquired 100% of the share capital of Hydraulics and Transmissions Limited ("HTL"), a UK-based company. HTL provides fluid power solutions predominantly to the mobile market segment and supplies some of the market leaders such as JCB, McConnell and Alamo. The acquisition strengthened our position with key global suppliers including Eaton, Walvoil and Casappa, and complemented our previous acquisitions of Primary Fluid Power and Nelson Hydraulics.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration, goodwill and intangible assets are as follows:

	Book value £000	Fair value adjustment £000	Intangible asset recognised on acquisition £000	Provisional fair value £000
Property, plant and equipment	31	-	-	**31**
Intangible assets	-	-	449	**449**
Inventories	1,226	(81)	-	**1,145**
Trade and other receivables	1,018	(22)	-	**996**
Cash and cash equivalents	(1,010)	-	-	**(1,010)**
Trade and other payables	(1,456)	-	-	**(1,456)**
Current tax balances	(45)	-	-	**(45)**
Deferred tax liability	(5)	-	(81)	**(86)**
Total net assets	(241)	(103)	368	**24**

	£000
Fair value of consideration paid	
Amount settled in cash	**830**
Fair value of contingent consideration	**1,641**
Total consideration	**2,471**
Less net assets acquired	**(24)**
Goodwill on acquisition	**2,447**

Fair values are provisional as subject to management estimations at the reporting date.

Consideration transferred

The total consideration was £2,471,000. This comprised £830,000 in cash and £1,641,000 contingent cash consideration. The additional consideration is based on profit targets for the Company's customer base and is payable in two instalments over the next two years. The fair value of £1,641,000 has been calculated using management forecasts of HTL's performance discounted at the weighted average cost of capital.

Acquisition costs amounting to £44,000 have been recognised as an expense in the Consolidated Income Statement as part of separately disclosed administration costs.

Goodwill

Goodwill of £2,447,000 is primarily related to expected future profitability and expected cost synergies. Goodwill has been allocated to the Power Motion Control operating segment and is not expected to be deductible for tax purposes.

Intangible asset

An intangible asset of £449,000 has been provisionally identified related to customer relationships. The estimated useful life has been determined as ten years based on the expected future cash flows that they would generate in arriving at their fair value. The customer relationships considered in the valuation comprise the sales to significant customers. Long term sales growth over the ten-year period has been assumed to be 5.2% with an attrition rate of 12.8% for customers. Growth and attrition rates are based on management experience and expectations. Amortisation of customer relationships is not expected to be deductible for tax purposes.

Fair value adjustments

The value of inventories has been decreased by £81,000 to reflect the alignment of stock valuation methods with those of the Group.

The value of debtors has been decreased by £22,000 to reflect the alignment of HTL's debtor provisioning policy with that of the Group.

Hydraulics and Transmissions Limited's contribution to the group results

Hydraulics and Transmissions Limited was acquired on 20 January 2017, for the purpose of the Group's consolidated accounts it has been treated as if purchased on the 1 January 2017 and consolidated from that date as the difference would not have a material impact on the Group results.

Summary aggregated estimated financial information on HTL for the 12-month period consolidated:

	2017 £000
Revenue	**6,175**
Profit	**384**

Profit is stated after deducting inter-company recharges and acquisition costs of £185,000.

8.2 Acquisition of Hewi Slangen

On 7 April 2017, the Group acquired the trade and certain assets of Hewi Slangen B.V., a Dutch based business. Complementary to our existing Dutch division, Flowtechnology Benelux, Hewi Slangen brings synergistic savings through relocation of operations and additional abilities and skills in hose production.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration, goodwill and intangible assets are as follows:

	Book value £000	**Fair value adjustment £000**	**Intangible asset recognised on acquisition £000**	**Provisional fair value £000**
Property, plant and equipment	20	80	-	**100**
Inventories	197	(163)	-	**34**
Total net assets	217	(83)	-	**134**

	£000
Fair value of consideration paid	
Amount settled in cash	309
Total consideration	**309**
Less net assets acquired	**(134)**
Goodwill on acquisition	**175**

Fair values are provisional as subject to management estimations at the reporting date.

Consideration transferred

The total consideration was £309,000 (€355,000) in cash.

Goodwill

Goodwill of £175,000 is primarily related to expected future profitability, technical know-how and expected cost synergies from the closure of the operational site and transfer of activities into existing Group locations. Goodwill has been allocated to the Flowtechnology operating segment and is not expected to be deductible for tax purposes.

Fair value adjustments

The value of property, plant and equipment has been increased by £80,000 based on market valuations at the time of acquisition.

The value of inventories has been decreased by £163,000 to reflect the alignment of stock valuation methods with those of the Group.

Hewi Slangen's contribution to the group results

Hewi Slangen generated a profit after tax of £12,000 for the nine months from 7 April 2017 to the reporting date. If Hewi Slangen had been acquired on 1 January 2017, revenue for the Group would have been £78,415,000 and profit after tax for the year would have increased by £33,000.

Summary aggregated financial information on Hew Slangen for the period from 1 January 2017 to 7 April 2017 when it became a subsidiary:

	2017 **£000**
Revenue	**128**
Profit	**33**

8.3 Acquisition of Hi-Power Limited

On 23 June 2017 the Group acquired 100% of the share capital of Hi-Power Limited, a company based in the Republic of Ireland. It is a specialist distributor of hydraulic equipment components predominantly to the mobile and transport sectors. It is based in Cork, Dublin and Belfast. This acquisition is complementary to the PMC division and will strengthen the Group position with key European suppliers.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration, goodwill and intangible assets are as follows:

	Book value **£000**	**Fair value adjustment** **£000**	**Intangible asset recognised on acquisition** **£000**	**Provisional fair value** **£000**
Property, plant and equipment	109	(8)	-	**101**
Intangible assets	-	-	374	**374**
Inventories	1,319	(31)	-	**1,288**
Trade and other receivables	1,818	(112)	-	**1,706**
Cash and cash equivalents	185	-	-	**185**
Trade and other payables	(1,604)	-	-	**(1,604)**
Current tax balances	(26)	-	-	**(26)**
Finance leases	(16)	-	-	**(16)**
Provisions	-	-	-	**-**
Deferred tax liability	-	-	(67)	**(67)**
Total net assets	1,785	(151)	307	**1,941**

	£000
Fair value of consideration paid	
Amount settled in cash	1,610
Fair value of contingent consideration	895
Total consideration	**2,504**
Less net assets acquired	(1,941)
Goodwill on acquisition	**564**

Fair values are provisional as subject to management estimations at the reporting date.

Consideration transferred

The total consideration was £2,504,000. This comprised £1,610,000 (€1,836,000) in cash and £895,000 contingent cash consideration. The additional consideration is based on profit targets for the Company's customer base and is payable in two instalments over the next two years. The fair value of £895,000 has been calculated using management forecasts of Hi-Power Limited performance discounted at the weighted average cost of capital.

Acquisition costs amounting to £142,000 have been recognised as an expense in the Consolidated Income Statement as part of separately disclosed administration costs.

Goodwill

Goodwill of £564,000 is primarily related to expected future profitability, the substantial skill and expertise of its workforce and expected cost synergies from the combined buying power of the Group. Goodwill has been allocated to the Power Motion Control operating segment and is not expected to be deductible for tax purposes.

Intangible asset

An intangible asset of £374,000 has been provisionally identified related to customer relationships. The estimated useful life has been determined as ten years based on the expected future cash flows that they would generate in arriving at their fair value. The customer relationships considered in the valuation primarily comprise those buying P.T.O.s, wet kits, bulk discharge, auto-greasing, speed limiters and winches which are new products to the segment. Long term sales growth over the ten-year period has been assumed to be 3.0% with an attrition rate of 10.0% for customers. Growth and attrition rates are based on management experience and expectations. Amortisation of customer relationships is not expected to be deductible for tax purposes.

Fair value adjustments

The value of property, plant and equipment has been decreased by £8,000 to reflect the alignment of the useful life review policy with that of the Group.

The value of inventories has been decreased by £31,000 to reflect the alignment of stock valuation methods with those of the Group.

The value of debtors has been decreased by £112,000 to reflect the alignment of Hi-Power's debtor provisioning policy with that of the Group.

Hi-Power Limited's contribution to the group results

Hi-Power Limited generated a profit after tax of £22,000 for the six months from 23 June 2017 to the reporting date. Profit is stated after deducting inter-company recharges and acquisition costs of £162,000. If Hi-Power Limited had been acquired on 1 January 2017, revenue for the Group would have been £82,060,000 and profit after tax for the year would have increased by £234,000.

Summary aggregated financial information on Hi-Power Limited for the period from 1 January 2017 to 23 June 2017 when it became a subsidiary:

	2017 **£000**
Revenue	**3,773**
Profit	**234**

8.4 Acquisition of Hi-Power Hydraulics

On 30 June 2017, the Group acquired certain trade and assets of Hi-Power Hydraulics Limited, a UK division of Hi-Power Limited which was acquired on 23 June 2017 (see note 8.3). Hi-Power Hydraulics is the exclusive UK importer and stockist of Pedro Roquet S.A. products. This acquisition is complementary to the PMC division and will strengthen the Group position with key European suppliers.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration, goodwill and intangible assets are as follows:

	Book value £000	Fair value adjustment £000	Intangible asset recognised on acquisition £000	Provisional fair value £000
Property, plant and equipment	20	(14)	-	**6**
Inventories	371	(35)	-	**336**
Total net assets	391	(49)	-	**342**

	£000
Fair value of consideration paid	
Amount settled in cash	345
Total consideration	**345**
Less net assets acquired	**(342)**
Goodwill on acquisition	**3**

Fair values are provisional as subject to management estimations at the reporting date.

Consideration transferred

The total consideration was £345,000, paid in cash

Goodwill

Goodwill of £3,000 is primarily related to expected future profitability and expected cost synergies. Goodwill has been allocated to the Power Motion Control operating segment and is not expected to be deductible for tax purposes.

Fair value adjustments

The value of property, plant and equipment has been decreased by £14,000 to reflect the alignment of the useful life review policy with that of the Group.

The value of inventories has been decreased by £35,000 to reflect the alignment of stock valuation methods with those of the Group.

Hi-Power Hydraulics' contribution to the Group results

Hi-Power Hydraulics generated a profit after tax of £114,000 for the six months from 1 July 2017 to the reporting date. If Hi-Power Hydraulics had been acquired on 1 January 2017, revenue for the Group would have been £78,833 and profit after tax for the year would have increased by £82,000.

Summary aggregated financial information on Hi-Power Hydraulics for the period from 1 January 2017 to 30 June 2017 when it became a subsidiary:

	2017 £000
Revenue	546
Profit	82

8.5 Acquisition of Orange County Limited

On 7 July 2017, the Group acquired 100% of the share capital of Orange County Limited, a UK-based company. It is a specialist supplier and distributor of high quality products for the storage and movement of fuel, liquid and gases based in Spennymoor, County Durham. Orange County provides a further complementary business to the Group and establishes relationships with world-leading manufacturers of pipes, valves, gauges and leak detection equipment. It is focused on technical sales to a wide range of end users from fuel supply systems for the automotive industry to cooling systems on the London Underground, as well as large Data Centres across the UK.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration, goodwill and intangible assets are as follows:

	Book value £000	Fair value adjustment £000	Intangible asset recognised on acquisition £000	Provisional fair value £000
Property, plant and equipment	34	(4)	-	**30**
Intangible assets	-		1,049	**1,049**
Inventories	302	(26)	-	**276**
Trade and other receivables	785	(23)	-	**762**
Cash and cash equivalents	1,936		-	**1,936**
Trade and other payables	(340)	-	-	**(340)**
Current tax balances	(284)	-	-	**(284)**
Deferred tax liability	(7)	-	(189)	**(196)**
Total net assets	2,426	(53)	860	**3,233**

	£000
Fair value of consideration paid	
Amount settled in cash	**3,200**
Fair value of contingent consideration	**2,823**
Total consideration	**6,023**
Less net assets acquired	**(3,233)**
Goodwill on acquisition	**2,790**

Fair values are provisional as subject to management estimations at the reporting date.

Consideration transferred

The total consideration was £6,023,000. This comprised £3,200,000 in cash and £2,823,000 contingent cash consideration. The additional consideration is based on profit targets for the Company's customer base and is payable in four instalments over the next two years. The fair value of £2,823,000 has been calculated using management forecasts of Orange County Limited's performance discounted at the weighted average cost of capital.

Acquisition costs amounting to £76,000 have been recognised as an expense in the Consolidated Income Statement as part of separately disclosed administration costs.

Goodwill

Goodwill of £2,790,000 is primarily related to expected future profitability, the substantial skill and expertise of its workforce and technical know-how. Goodwill has been allocated to the Process operating segment and is not expected to be deductible for tax purposes.

Intangible asset

An intangible asset of £1,049,000 has been provisionally identified related to customer relationships. The estimated useful life has been determined as ten years based on the expected future cash flows that they would generate in arriving at their fair value. The customer relationships considered in the valuation comprise the sales to customers of equipment for storage and movement of fuel, liquid and gases, which are new products for the segment. Long term sales growth over the ten-year period has been assumed to be 2.0% with an attrition rate of 10.0% for customers. Growth and attrition rates are based on management experience and expectations. Amortisation of customer relationships is not expected to be deductible for tax purposes.

Fair value adjustments

The value of property, plant and equipment has been decreased by £4,000 to reflect the alignment of the useful life review policy with that of the Group.

The value of inventories has been decreased by £27,000 to reflect the alignment of stock valuation methods with those of the Group.

The value of debtors has been decreased by £23,000 to reflect the alignment of the debtor provisioning policy with that of the Group.

Orange County Limited's contribution to the Group results

Orange County Limited generated a profit after tax of £276,000 for the six months from 7 July 2017 to the reporting date. Profit is stated after deducting inter-company recharges of £57,000. If Orange County Limited had been acquired on 1 January 2017, revenue for the Group would have been £79,451,000 and profit after tax for the year would have increased by £114,000.

Summary aggregated financial information on Orange County Limited for the period from 1 January 2017 to 7 July when it became a subsidiary:

	2017 **£000**
Revenue	**1,164**
Profit	**114**

8.6 Acquisition of The Hydraulics Group BV

On 7 September 2017, the Group acquired 100% of the share capital of The Hydraulics Group BV and its subsidiaries, a Dutch based company. Based in Oud-Beijerland and Rotterdam, with a sales presence in Brussels, it is a distributor of hydraulic equipment and components, predominantly to the mechanical engineering, marine and agricultural sectors into both maintenance, repair and operations applications, as well as original equipment manufacturers. The acquisition extends the Group's position with important global suppliers, in particular Eaton Corporation.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration, goodwill and intangible assets are as follows:

	Book value **£000**	**Fair value adjustment** **£000**	**Intangible asset recognised on acquisition** **£000**	**Provisional fair value** **£000**
Investments	387	(387)	-	**-**
Property, plant and equipment	225	-	-	**225**
Intangible assets	-	-	976	**976**
Inventories	1,033	(33)	-	**1,000**
Trade and other receivables	1,119	(173)	-	**946**
Cash and cash equivalents	77	-	-	**77**
Trade and other payables	(1,048)	-	-	**(1,048)**
Current tax balances	(37)	-	-	**(37)**
Finance leases	(62)	-	-	**(62)**
Provisions	-	(103)	-	**(103)**
Deferred tax liability	43	-	(176)	**(133)**
Total net assets	1,737	(696)	800	**1,841**

	£000
Fair value of consideration paid	
Amount settled in cash	**2,885**
Amount settled in shares in Flowtech Fluidpower plc	**687**
Amount settled in share options in Flowtech Fluidpower plc	**187**
Total consideration	**3,759**
Less net assets acquired	**(1,841)**
Goodwill on acquisition	**1,918**

Fair values are provisional as subject to management estimations at the reporting date.

Consideration transferred

The total consideration was £3,759,000. This comprised £2,149,000 (€2,250,000) in cash, assumption of £736,000 (€802,000) of net debt at acquisition, £687,000 represented by the issue of new Flowtech Fluidpower plc ordinary shares at a value of 1.387p each and £187,000 represented by the issue of 495,178 unapproved share options in Flowtech Fluidpower plc. The premium on share issue arising of £439,000 has been credited to the merger relief reserve. The share options have been valued using a variation of the Black-Scholes model that takes into account factors specific to share incentive plans, such as the vesting period. The options are exercisable from April 2020 and have an exercise value of £1.387p. The fair value of the options of £187,000 has been recognised as an other reserve.

Acquisition costs amounting to £45,000 have been recognised as an expense in the Consolidated Income Statement as part of separately disclosed administration costs.

Goodwill

Goodwill of £1,918,000 is primarily related to expected future profitability and expected cost synergies from the combined buying power of the Group. Goodwill has been allocated to the Power Motion Control operating segment and is not expected to be deductible for tax purposes.

Intangible asset

An intangible asset of £976,000 has been provisionally identified related to customer relationships. The estimated useful life has been determined as ten years based on the expected future cash flows that they would generate in arriving at their fair value. The customer relationships considered in the valuation comprise the sales to significant customers. Long term sales growth over the ten-year period has been assumed to be 1.9% with an attrition rate of 10.0% for customers. Growth and attrition rates are based on management experience and expectations. Amortisation of customer relationships is not expected to be deductible for tax purposes.

Fair value adjustments

The value of investments has been decreased by £322,000 based on market valuations at the time of acquisition.

The value of inventories has been decreased by £31,000 to reflect the alignment of stock valuation methods with those of the Group.

The value of debtors has been decreased by £16,000 to reflect the alignment of The Hydraulics Group's debtor provisioning policy with that of the Group and also by £158,000 based on market valuations of other debt at the time of acquisition.

The value of provisions has been increased by £176,000 to reflect a provision for dilapidation costs relating to properties leased by the Company.

The Hydraulic Group BV's contribution to the Group results

The Hydraulic Group BV generated a profit after tax of £109,000 for the four months from 7 September 2017 to the reporting date. Profit is stated after deducting inter-company recharges and acquisition costs of £106,000. If The Hydraulic Group BV had been acquired on 1 January 2017, revenue for the Group would have been £82,939 and profit after tax for the year would have increased by £148,000.

Summary aggregated financial information on The Hydraulic Group BV's for the period from 1 January 2017 to 7 September 2017 when it became a subsidiary:

	2017 £000
Revenue	**4,652**
Profit	**148**

8.7 Acquisition of Group HES Limited

On 11 October 2017, the Group acquired 100% of the share capital of Group HES Limited ("HES") and its subsidiaries, a UK-based group. HES is a multi-faceted solutions provider to the Fluidpower sector located in Birmingham, Durham, Gloucester and Leeds. The business operates under five trading brands: Hydraulic Equipment Supermarkets; Branch Hydraulic Systems, and more recently established specialist distributor brands in HES Tractec, HES Lubemec and HES Automatec. The acquisition provides another complementary business to the Group's PMC division, delivering incremental revenue through a mix of wider technical applications, reinforces our offer to the off-highway market and adds aerospace to our sector coverage. In addition, the acquisition extends the Group's position with important global suppliers, including Danfoss Power Solutions.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration, goodwill and intangible assets are as follows:

	Book value £000	Fair value adjustment £000	Intangible asset recognised on acquisition £000	Provisional fair value £000
Property, plant and equipment	574	(26)	-	**548**
Intangible assets	-		570	**570**
Inventories	3,093	(200)	-	**2,893**
Trade and other receivables	2,941	(28)	-	**2,913**
Cash and cash equivalents	(722)	-	-	**(722)**
Trade and other payables	(3,669)	-	-	**(3,669)**
Finance leases	(28)	-	-	**(28)**
Current tax balances	(25)	-	-	**(25)**
Provisions	-	(90)	-	**(90)**
Deferred tax liability	(84)	-	(103)	**(187)**
Total net assets	2,080	(344)	467	**2,203**

	£000
Fair value of consideration paid	
Amount settled in cash	**3,090**
Amount settled in shares in Flowtech Fluidpower plc	**1,000**
Total consideration	**4,090**
Less net assets acquired	**(2,203)**
Goodwill on acquisition	**1,887**

Fair values are provisional as subject to management estimations at the reporting date.

Consideration transferred

The total consideration was £4,090,000. This comprised £3,090,000 in cash and £1,000,000 represented by the issue of new Flowtech Fluidpower plc ordinary shares at a value of 1.511p each. The premium on share issue arising of £669,000 has been credited to the merger relief reserve.

Acquisition costs amounting to £65,000 have been recognised as an expense in the Consolidated Income Statement as part of separately disclosed administration costs.

Goodwill

Goodwill of £1,887,000 is primarily related to expected future profitability, the substantial skill and expertise of its workforce and expected cost synergies from the combined buying power of the Group. Goodwill has been allocated to the Power Motion Control operating segment and is not expected to be deductible for tax purposes.

Intangible asset

An intangible asset of £570,000 has been provisionally identified related to customer relationships. The estimated useful life has been determined as ten years based on the expected future cash flows that they would generate in arriving at their fair value. The customer relationships considered in the valuation comprise the sales to the aerospace sector, HES's service division sales and customer revenue streams served by the LubeMec and Tractec brands; which are all new revenue streams to the segment. Long term sales growth over the ten-year period has been assumed to be 2.0% with an attrition rate of 10.0% for customers. Growth and attrition rates are based on management experience and expectations. Amortisation of customer relationships is not expected to be deductible for tax purposes.

Fair value adjustments

The value of property, plant and equipment has been decreased by £26,000 to reflect the alignment of the useful life review policy with that of the Group.

The value of inventories has been decreased by £200,000 to reflect the alignment of stock valuation methods with those of the Group.

The value of debtors has been decreased by £27,000 to reflect the alignment of the debtor provisioning policy with that of the Group.

The value of provisions has been increased by £90,000 to reflect a provision for dilapidation costs relating to properties leased by the Company.

Group HES Limited's contribution to the Group results

HES generated a loss after tax of £45,000 for the three months from 11 October 2017 to the reporting date. Losses are stated after deducting inter-company recharges and acquisition costs of £106,000. If HES had been acquired on 1 January 2017, revenue for the Group would have been £94,224,000 and profit after tax for the year would have increased by £1,009,000.

Summary aggregated financial information on Group HES Limited for the period from 1 January 2017 to 11 October 2017 when it became a subsidiary:

	2017 **£000**
Revenue	**15,957**
Profit	**1,009**

9. EQUITY

Share capital

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 31 December 2017	52,818,997	26,409
Shares authorised for share-based payments	6,666,667	3,333
Total shares authorised at 31 December 2017	59,485,664	29,742

	Number	£000
Allotted and fully paid ordinary shares of 50p each		
At 1 January 2016	43,078,282	21,539
Shares issued	8,333,333	4,166
Shares issued in respect of exercise of employee share options	15,000	7
Shares issued in respect of loan to Employee Benefit Trust	235,400	118
Shares issued in respect of acquisition	495,178	248
Shares issued in respect of acquisition	661,804	331
At 31 December 2017	**52,818,997**	**26,409**

10. NET CASH FROM OPERATING ACTIVITIES

	2017	2016
Reconciliation of profit before taxation to net cash flows from operations	**£000**	£000
Profit from continuing operations before tax	**6,039**	5,527
Loss from discontinued operations before tax	**-**	(113)
Depreciation	**640**	526
Financial income	**(6)**	(1)
Financial expense	**581**	611
Profit on sale of plant & equipment	**(3)**	(21)
Amortisation of intangible assets	**768**	569
Equity settled share-based payment charge	**272**	353
Cash settled share options	**(415)**	-
Change in amounts accrued for contingent consideration	**229**	(108)
Operating cash inflow before changes in working capital and provisions	**8,105**	7,343
Change in trade and other receivables	**(823)**	(1,384)
Change in stocks	**(931)**	(1,486)
Change in trade and other payables	**1,922**	1,126
Change in provisions	**(63)**	(86)
Cash generated from operations	**8,210**	5,513
Tax paid	**(1,610)**	**(1,347)**
Net cash generated from operating activities	**6,600**	**4,166**

11. SUBSEQUENT EVENTS

Balu Limited and it's UK subsidiaries was acquired on 19 March 2018 for an initial consideration of £4.65 million in cash, £0.5 million in shares with additional estimated consideration of £3 million anticipated to be paid within 12 months. The cash consideration was funded through existing resources, supplemented by a share issue on 4 April as detailed below. The acquisition will add significantly to the Group's procurement relationship with key global suppliers of hydraulic components, in particular, Parker Hannafin. Balu Limited has two trading subsidiaries; Beaumanor an importer and distributor of fluid power equipment in the UK. Based in Leicester it will form part of the Flowtechnology division. Secondly, Derek Lane is a supplier of fluid power products and engineered solutions based in Newton Abbot, Devon. Derek Lane will form part of the PMC division.

The Group will disclose the book value of the identifiable assets and liabilities and their fair values in the 2018 interim financial statements as required under IFRS 3 "Business Combinations". The initial accounting and fair value exercise is incomplete at the time of this announcement due to the proximity of the accounting date.

On 15 March 2018 and 4 April 2018 Flowtech Fluidpower plc raised approximately £11m (before expenses) via the placing of 6,470,589 new ordinary shares at 170 pence per share.

There are no other material adjusting or non-adjusting events subsequent to the reporting date.

12. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 6 June at 10am at the offices of our solicitors, DLA Piper, One St Peter's Square, Manchester M2 3DE.

13. ELECTRONIC COMMUNICATIONS

The full Financial Statements for the year ended 31 December 2017 are to be published on the Company's website, together with the Notice convening the Company's 2018 Annual General Meeting by 4 May 2018. Copies will also be sent out to those shareholders who have elected to receive paper communications. Copies can be requested by writing to The Company Secretary, Flowtech Fluidpower plc, Pimbo Road, Skelmersdale, Lancashire WN8 9RB or email to info@flowtechfluidpower.com.

FORWARD-LOOKING STATEMENTS

These Preliminary results were approved by the Board of Directors and authorised for issue on 16 April 2018. This document contains certain forward-looking statements which reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.