Issued on behalf of Flowtech Fluidpower PLC
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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 2016

"Our business has shown resilience in a difficult market, with our most recent acquisitions beginning to deliver organic growth. The Board remains confident in the strategy, commercial opportunities and the prospects of the Group as a whole, and expects to deliver ongoing solid growth over the coming years building on the performance seen in 2016."

Malcolm Diamond MBE, Chairman

FINANCIAL HIGHLIGHTS	2016	2015
• 20% GROWTH IN GROUP REVENUE*	**£53.8m**	£44.8m
• 12% UPLIFT IN GROUP OPERATING PROFIT*	**£6.14m**	£5.49m
• EARNINGS PER SHARE*	**10.17p**	9.85p
• 5% INCREASE IN DIVIDEND:		
➢ Half year paid	**1.84p**	1.75p
➢ Proposed final dividend	**3.67p**	3.50p
➢ Total for the year	**5.51p**	5.25p
• CASH GENERATION FROM OPERATIONS	**£5.51m**	£7.36m
• NET DEBT	**£13.1m**	£9.0m
• ACQUISITIONS:		
➢ Three during the year, including creation of a 'Process' division		
➢ Post year end, one further acquisition		
• There continues to be significant opportunity to achieve organic growth through a wide range of revenue enhancing development programmes linked to our focused acquisition strategy.		

* All results relate to continuing operations

"The Flowtech Group now operates three divisions: Flowtechnology, Power Motion Control & Process. This structure has delivered greater opportunity to focus on fluid power solutions while at the same time developing a deeper technical expertise within our complementary businesses; specialising our offering in the fluid power sector and, delivering high service levels to all our customers across our business. This formulation gives us a solid platform for growth as well as opening and creating opportunities in new and exciting sectors."

Sean Fennon, CEO

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EDITORS' NOTE
Flowtech Fluidpower plc, founded as Flowtech in 1983, is the UK's leading specialist supplier of technical fluid power products. The Group has three divisions: Flowtechnology, Power Motion Control and Process. All three of the Group's divisions have overlapping product sets, allowing procurement synergies to be maximised.

The **Flowtechnology division** focuses on supplying distributors and resellers of industrial MRO (maintenance, repair and operation) products, primarily serving urgent orders rather than bulk offerings. It is formed from Flowtechnology UK, Flowtechnology Benelux and Indequip. It offers an unrivalled range of Original Equipment Manufacturer (OEM) and Exclusive Brand products to over 3,400 distributors and resellers and the catalogues are recognised as the definitive source for fluid power products, containing 100,000 individual product lines and are distributed to more than 80,000 industrial Maintenance, Repair and Overhaul end users (MRO). The **Power Motion Control division** specialises in the design, assembly and supply of engineering components and hydraulic systems and is further enhanced by a service and repair function. The division is formed from Primary Fluid Power, Nelson Hydraulics, TSL Fluidpower and HTL. The **Process division** focuses on the supply of industrial components to the process sectors.

The Group's **main distribution centre** is in Skelmersdale, Lancashire with further distribution centres in the Netherlands and China. The **Power Motion Control division** (PMC) has operations in Merseyside, Northern Ireland, the Republic of Ireland, Shropshire and Yorkshire; **Process** operates from the West Midlands. In total the business employs 319 people.

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INTRODUCTION

BY THE CHAIRMAN, MALCOLM DIAMOND MBE

I think it is widely acknowledged amongst our investor community that the majority of UK based listed companies have found 2016 to be not only a challenging period, but for some, also revealing some opportunities for sector consolidation.

When Flowtech came to market, our Board presented their investment case on the basis of not only a strong commitment to organic growth, whilst resolutely maintaining their proven track record of margin retention, but also to take advantage of acquisition opportunities within what is an extremely fragmented UK and European market within the fluid power sector.

The founding core business within the Group, the Flowtechnology division, devotes itself to supplying a vast range of high quality equipment and components, both branded and generic, with a market beating technical and delivery service to specialist trade distributors and resellers. This stock range is managed dynamically in relation to demand, and in the past year alone has enlarged customer choice by a further 3,500 new items, thus sustaining the division's reputation for being the UK market leader.

It is a key policy of the Group to separate end user business from trade distribution in order to maintain customer loyalty and stability. This has led to the formation of a Power Motion Control ("PMC") division by acquiring a growing number of small, profitable specialist businesses managed by our new senior colleague Nick Fossey.

PMC provides a wide capability from custom made hydraulic hoses and fittings to sophisticated high value digitally controlled power packs for use by assembly and process industry customers. The PMC division markets itself to end user customers as a technical solutions provider via its in house engineering, sourcing and assembly resources; therefore, making a clear sector distinction from Flowtechnology's distribution activities.

In addition to three important acquisitions made in 2016 (along with a busy target pipeline extending into 2017 and beyond), there have been investments made in marketing, product range extensions and product data consolidation to facilitate cross selling within the rapidly expanding Group and new plant to support the burgeoning customised hydraulic hose production output.

To summarise, it is clear that the Group is now entering an exciting stage of its 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. 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 £10 million (before expenses) in new capital for the Group. I am certain this will provide a very important springboard for the next stage of development of the Group.

DIVIDEND

Subject to Shareholder approval at the Annual General Meeting which is to be held on 25 May 2017, the Directors are proposing a final dividend of 3.67p per share. This, together with the interim dividend of 1.84p (paid on 25 October 2016), brings the total for the year to 5.51p 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.

STRATEGY FOR GROWTH

The Group has a clear view of its growth objectives - to create a specialist fluid power organisation that remains focused on its core competencies through its delivery of 'class-leading' service and support. Our long-term growth model is based on both organic growth, coupled with complementary acquisitions in the UK and Europe in a very fragmented marketplace.

The successful integration of new businesses into the Group is critical, maintaining momentum and ensuring an ability to continue to trade with their customers seamlessly. To support this an experienced integration team has been created tasked with delivering a smooth and speedy transitions process. During 2016, Indequip, Hydravalve & TSL, were acquired and successfully integrated into the Group - these acquisitions fit within the defined strategy previously outlined of developing a **Focused Fluid Power Group**.

SUMMARY OF 2016 RESULTS

BY SEAN FENNON, CHIEF EXECUTIVE OFFICER & BRYCE BROOKS, CHIEF FINANCIAL OFFICER

OPERATIONAL REVIEW

	2016	2015	
• GROUP REVENUE*	**£53.8m**	£44.8m	+20%
• GROSS PROFIT* • GROSS PROFIT %	**£19.1m** **35.5%**	£15.3m 34.2%	+25% +1.3%
• GROUP OPERATING PROFIT*	**£6.14m**	£5.49m	+11.8%
• UNDERLYING OPERATING PROFIT†	**£7.45m**	£6.87m	+9.5%

* 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.

We are very pleased to again report a period of significant progress in the scope of our activities as a Group, with an uplift in revenue of 20% (2015: 19%), a 11.8% increase in operating profit, and 9.5% improvement in underlying operating profit (2015:12%). The movements in underlying operating result by segment are detailed in the section below. A reconciliation of underlying operating profit to operating profit in the consolidated income statement is detailed in the segmental analysis note (note 2). The separately disclosed items which represent the bridge between the two amounts have remained consistent at £1.3m.

A year ago, we announced strong growth figures underpinned by an active acquisition programme, against a backdrop of a market with headwinds making organic progress challenging. Twelve months down the line we have a similar message, but this time we can add material currency movements which rapidly increased input prices across our product portfolio when sourced from Europe or the Far East, and a further knock on effect into market confidence.

We therefore believe that the result achieved is further justification that our focused approach in maintaining strong gross margins, while developing market share and commercial synergy by acquisition, is creating an expanding and resilient platform for long-term profitable growth.

GROSS PROFIT MARGINS

One of our most important KPIs remains Gross Profit %, and it is also pleasing to report that in 2016 we were able to increase margins in each of our divisions as shown below:

Gross profit %	**2016 %**	2015 %
Flowtechnology	**37.2**	35.3
Power Motion Control	**29.2**	28.3
Process	**42.6**	-
Group	**35.5**	34.2

Following the Brexit result in June 2016, the latter part of the year was dominated by the movement in currencies and the subsequent issues around pricing. In this regard, the Group is split into two separate and distinct pricing models:

• "Distribution" businesses - **Flowtechnology and Process** - these operate pricing policies based around smaller parcel size, a broader mix of Global Brand and Own-Brand products, and a "list less discount" model. During 2016 these businesses set out a clear pricing strategy to increase selling prices as required and culminating in a more general uplift by 1 January 2017. In addition, the depth of our relationships with factory owners in China has helped with some medium-term pricing support, coupled with volume related discounts, that have meant we have now come through a potentially difficult period with our gross profit % intact, and I am pleased to report that in Q1 2017 we have achieved a similar margin position when compared with Q1 2016.

• In contrast, our **PMC** businesses 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 Original Equipment Manufacturers (OEMs), and therefore have more challenging pricing issues to address. At the same time, we know that much of our competitor landscape is less able to withstand such pressures for any length of time, and we have consequently chosen to take a more watchful approach to this customer segment. As we enter 2017, the early signs of this approach are broadly encouraging with good volumes on parts of our OEM business coming through that are more than offsetting any margin compression.

ACQUISITIONS

Since 2014 we have developed a capacity to identify, acquire and integrate complementary businesses in line with our channel strategy, both in the UK and Europe. This strategy has included the development of a Service Centre team structured to support the operations and remove back-office processes, as well as the new development of a Shared Logistics Centre.

All the acquisitions to date (totalling 7) have been integrated quickly into the Group, with retention of brand identity, reputation and customer relationships being critical. The Group philosophy therefore is to maintain the acquired business' branding and help enhance it.

Following this simple initial integration, a focus on synergy gain has a four-layered approach:

• **Back Office**

Typically, quick wins in 'soft' areas such as accounting, insurance, banking, HR and IT. Our Service Centre team covering all these disciplines will work over a relatively short period to both ensure a full take-on, as well as enhancements where possible, including production of prompt management accounts and central control of payment processes.

• **Procurement**

Whilst a comprehensive and systematic approach to supplier pricing optimisation is a long-term goal for the Group, our acquisition process focuses again on the quick wins that can simply be achieved by straightforward face to face communication between purchasing teams of new and current operations, with an obvious emphasis on supplier overlap.

• **Operational**

The Group now has over 180,000 square feet of operational facilities across its nine sites. Each business is encouraged to work with its colleagues across the Group, and this has allowed each operation to use its resources more effectively. Furthermore, we have begun the development of a 'Shared Logistics Centre' ("SLC") based on the operation previously set up to exclusively support the Flowtechnology UK business, with the aim to create a 'best of breed' logistic facility and service which will be utilised by other Group companies. This infrastructure has been established for over 20 years and is already providing a class leading distribution service. An obvious early example of this concept is in Indequip, which has effectively removed its own logistics structure in its entirety, whilst retaining complete commercial control, with a significant reduction in its own cost base. We expect this type of interaction using operational assets more efficiently to become a recurring theme over the coming years - and achieved without significant risk added to our core trading assets.

- **Commercial**

Finally, the cross selling of ideas and opportunities across the Group is allowing our complementary skill sets - from logistics to product to technical expertise - to be exploited for selling leads wherever possible. With our expansion from four to eight operating brands during the past twelve months we are seeing real tangible benefit from our strategy. For example, sales from Flowtechnology UK to other Group companies rose by 78% in 2016, and from PMC to other divisions by 154%.

UNDERLYING OPERATING RESULT

The underlying operating result* can be summarised as follows:

Continuing operations Underlying operating result*	**2016 £000**	2015 £000	Change £000	Change %
Flowtechnology	**7,627**	7,571	56	0.7
Power Motion Control	**1,823**	1,228	595	48.5
Process	**401**	-	401	
Central costs	**(2,397)**	(1,931)	(466)	24.1
Underlying operating result	**7,454**	6,868	586	8.5

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

FLOWTECHNOLOGY

Turnover +6% (2015: -2%)
Operating profit +0.6% (2015: +2.9%)
Underlying operating profit +0.7% (2015: +2.4%)

A highlight during the year was when the division acquired a direct UK competitor, Indequip, with a plan to retain the clear identity of the business as a separate trading brand under the leadership of Managing Director, Ian Simpson, whilst at the same time integrating the operational side of the business into the logistics infrastructure of the rest of the Group. We know that Ian and his team initially viewed the acquisition by the Group with a sense of trepidation. However, in Ian's own words, "the move has proved to be a springboard for the reinvigoration of the Indequip business and has set it off with new impetus to develop and grow". Indequip's new catalogue arrived in December, prepared with the input of the Group's creative services team, and this was released in January to a very positive response. In 2015 Indequip was struggling, with resources being limited and the efforts of an energetic and well-lead team being stifled. Today, confidence is renewed with a clear focus on the future with a clear trading style as part of the Group.

As a result of the general market difficulties previously described, volumes within the original Flowtechnology UK business have been under negative pressure, but our clear focus is to ensure we retain strong gross margins and a high service offer. Continued work on our "Data Repository" will also begin to deliver benefit in 2017, with a new web trading platform launched in March.

The Benelux market remains buoyant, with the short to medium term outlook encouraging. Having previously been fixed on the value of Global Brands, the region has become open to change, and this has allowed the Flowtechnology operation to promote our Exclusive Brands, all developed within the wider Group - a move which has begun to show benefits in both revenue and margin growth. The continued re-sourcing work carried out in conjunction with our purchasing Group should allow Flowtechnology Benelux to develop its position further over the coming year and increase its market penetration, particularly in the hydraulic segment where the business has previously had little activity.

POWER MOTION CONTROL (PMC)

Turnover +36% (2015: +197%)
Operating profit +55% (2015: +209%)
Underlying operating profit +48% (2015: +233%)

When the Group came to market in 2014, the creation of a Power Motion Control division, based around the supply of hydraulic components, hose assemblies and systems to a largely OEM customer base, was a key part of our strategy. PMC now has four trading "brands" operating from six sites across the UK and Ireland, with a current total revenue of over £20m - all under the leadership of Nick Fossey who joined us in March 2016.

With the full year effect of the Nelson and Albroco acquisitions from early 2015 now evident, backed up by a consistent performance from Primary, the division has made encouraging progress against a challenging backdrop for volumes and margins. In 2016 and now 2017 the addition of TSL and HTL adds to the portfolio, now supported by a newly formed cross-selling team. From a standing start in 2014, the division is now established and growing.

Compared to the UK, the wider Irish market in which Nelson Hydraulics operates has remained relatively buoyant. This has enabled Nelson to consolidate its overall market share and gain business from its customer base. The Irish OEM export market appears to be holding up well moving into 2017, with market optimism being driven by the weak pound and the strong export opportunities.

PROCESS

We welcomed Hydravalve to the Group in March 2016, as the start of our Process division focused on developing our presence in broader markets for valves and actuation. Core product areas have strong overlap with Far East supply in Flowtechnology UK and this has allowed the two operations to combine purchases and obtain significant price advantage which will assist in underpinning margins in 2017 and beyond. Based in Willenhall in the West Midlands, Hydravalve is also now diverting generic product from direct supply and instead is sourcing using the SLC in Skelmersdale. Managed by the former owner Andy Newham, Hydravalve is now well established and has proven to be an excellent cornerstone acquisition for the Process division.

CENTRAL COSTS

	2016 £000	2015 £000	Change £000
Commercial	**359**	269	90
Finance, IT and Management	**1,646**	1,294	352
PLC	**392**	368	24
Central Costs	**2,397**	1,931	466

In order to add clarity to our reporting process we now provide further stratification on this cost area to illustrate how the acquisition programme can develop with only a limited increase in central costs to support this. The three areas now identified are as follows:

Commercial - being Creative Services (catalogue design and marketing materials production) and Marketing departments, and as a main addition in 2016 a new sales resource.

Finance, IT and Management - which includes the employment costs of the executive team. During the year a bonus was paid to the Executive team totalling £113,000 in recognition of progress made by the Group since 2014, with the balance being the development of the necessary team to support the growth programme for the long term, including the recruitment of the PMC Divisional Managing Director, Nick Fossey.

PLC - being non-executive director costs, broker and legal fees, and all other costs relating to the operation and marketing of the public company. Finncap were appointed as joint broker alongside Zeus Capital in January 2017.

ACQUISITION AND RESTRUCTURING COSTS

The total cost for the year of £419,000 represents 9.5% (2015: 3.8%) of the total consideration paid for acquisitions (as detailed in notes 8, 9 and 10). This includes both the transaction cost, including legal and professional fees, and the cost for post deal IT and Finance integration, and we believe this again represents a fair cost for transactions of this type.

Restructuring costs incurred during the year of £84,000 (2015: £323,000) primarily relate to relate to redundancies in administrative functions following acquisition, as well as a streamlining of the Group structure following advice from our legal and tax advisers.

TAXATION

The tax charge for the year was £1.1m (2015: £1.1m), with an effective tax rate of 20.3% and a blended tax rate based on the geographical regimes of 19.5%.

STATEMENT OF FINANCIAL POSITION AND MANAGING WORKING CAPITAL

The net debt position at the year-end was £13.10m (2015: £9.0m). Under the debt facilities extended in 2015, our revolving credit facility agreed with Barclays Bank plc for up to £15 million, is now fully available but with ample headroom under a comfortable covenant headroom. Cash inflows of around £9.6m under the recent placing have also now been received, which leaves the business lowly geared and well positioned for further investment in the immediate future.

In late 2015 the Group took the strategic decision to increase order values from some of its Far East suppliers, with a view to obtaining better pricing in a softer market at the time. This has assisted the drive to retain gross margins in the difficult markets experienced in 2016, but this has meant that overall stock holding levels have been above optimum with broad stock turns across the Group of around two. From 1 January 2017, a new "profit sharing" scheme has been introduced that operates at local level, and as well as rewarding staff for profit growth, an added element can be obtained for improvements in working capital management - with stock at its core. Whilst always being mindful of not undermining service levels, a long-term drive towards stock turns of 2.5 to 3 is being targeted, and as the Group expands, we believe this is achievable in the medium term. Any cash released will then be re-invested in further growth. With debtor collections consistent (the total charge for bad and doubtful debt related issues was £67,000 (2015: £62,000), representing only 0.12% of turnover) and lengthening of supplier terms being negotiated, a focus on the management of working capital is at the forefront of the Group's thinking.

EXCHANGE RATES AND FOREIGN CURRENCY EXPOSURE

As previously described, the Group is able to take a flexible approach to currency risk management, as other than some smaller elements of its PMC business with OEMs, it is not involved in fixed price sales contracts. This has obviously been tested vigorously since the Brexit decision. Whilst there have been some learning points, we have again gained confidence that sales pricing can be flexed as cost prices change and the Group will continue to operate in this manner, as a focus on moving pricing to match market conditions is believed to be an important aspect of our offer.

In addition, the Group derives income streams from its Benelux and Republic of Ireland operations. In order to fix the value of these profits, the Group continues to maintain foreign exchange contracts on an annual basis for the estimated euro value of these contributions. In 2016 this contract resulted in a loss of £73,000 (2015: gain of £18,000), which is accounted for within net financing costs, and is to some degree countered by the increased "value" of the respective income streams on conversion.

PEOPLE

Each year of growth brings with it the advantage of an expanded management team, with new focus and skills that can be used to enhance our wider activities. Managing Directors appointed during the year include Ian Simpson at Indequip; Andy Newham at Hydravalve, ably supported by his sons Andrew and Edward; Steve Rushworth at TSL, and most recently Kirk Duncan and Alan Willis at HTL.

Our quarterly Operational Board structure is now divisionalised with bi-annual cross Group meetings. Finally, the full PLC Board led by Malcolm Diamond performs an in-depth assessment with each business as part of an annual forecast process.

The Board is very encouraged by the progress made during the year. However, we are keenly aware that none of this progress is achievable without the continued commitment and effort of all our employees - in both the "founding" Flowtechnology businesses, and all our new colleagues in Primary Fluid Power, Nelson Hydraulics, Indequip, Hydravalve, TSL and now HTL. We believe the team ethic that is being created across the Group is allowing us to build for the long-term.

OUTLOOK

We have entered 2017 with renewed confidence. Our acquisition of HTL in January 2017 adds a further element to our customer and supplier base, and, on the back of our recent £10m capital raise, the Group has the financial scope to support this confidence. We will issue our first quarter trading update later today updating on our performance to 31 March 2017.

"We have a relentless attitude to growth by organic and acquisitive means, backed up by our four-layered approach to extracting synergy gain 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."

Sean Fennon CEO

"The Board is very encouraged by the progress made during the year. However, we are very aware that none of this progress is achievable without the continued commitment and effort of all our employees - in both the "founding" Flowtechnology businesses, and all our "new" colleagues in Primary Fluid Power, Nelson Hydraulics, Indequip, Hydravalve, TSL and now HTL. We believe the team ethic that is being created across the Group is allowing us to build for the long-term."

Bryce Brooks CFO

4 April, 2017

FLOWTECH FLUIDPOWER PLC

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Consolidated income statement

	Note	2016 £000	2015 £000
Continuing operations			
Revenue		**53,780**	44,848
Cost of sales		**(34,714)**	(29,503)
Gross profit		**19,066**	15,345
Distribution expenses		**(2,475)**	(2,245)
Administrative expenses before separately disclosed items:		**(9,137)**	(6,232)
- Acquisition costs		**(419)**	(299)
- Amortisation of acquired intangibles		**(569)**	(413)
- Share based payment costs		**(353)**	(342)
- Restructuring costs		**(84)**	(323)
- Release of over accrued contingent consideration		**108**	-
Total administrative expenses		**(10,454)**	(7,609)

	Note	2016 £000	2015 £000
Operating profit		**6,137**	5,491
Financial income	4	**1**	22
Financial expenses	4	**(611)**	(233)
Net financing costs		**(610)**	(211)
Profit from continuing operations before tax		**5,527**	5,280
Taxation	5	**(1,146)**	(1,057)
Profit from continuing operations		**4,381**	4,223
Loss from discontinued operations, net of tax		**(91)**	(131)
Profit for the year attributable to the owners of the parent		**4,290**	4,092
Earnings per share	7		
Basic earnings per share			
Continuing operations		**10.17p**	9.85p
Discontinued operations		**(0.21p)**	(0.31p)
Basic earnings per share		**9.96p**	9.54p
Diluted earnings per share			
Continuing operations		**10.08p**	9.73p
Discontinued operations		**(0.21p)**	(0.30p)
Diluted earnings per share		**9.87p**	9.43p

Consolidated statement of comprehensive income

	2016 £000	2015 £000
Profit for the year	**4,290**	4,092
Other comprehensive income - items that will be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	**350**	85
Total comprehensive income for the year attributable to the owners of the parent	**4,640**	4,177

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Consolidated Statement of financial position

	Note	2016	2015
Assets		**£000**	£000
Non-current assets			

Consolidated Statement of financial position

	Note	2016	2015
Goodwill		**47,927**	46,412
Other intangible assets		**4,780**	4,179
Property, plant and equipment		**3,899**	3,265
Total non-current assets		**56,606**	53,856
Current assets			
Inventories		**16,592**	13,254
Trade and other receivables		**13,012**	10,367
Prepayments		**304**	316
Other financial assets		**-**	32
Cash and cash equivalents		**3,824**	1,841
Total current assets		**33,732**	25,810
Liabilities			
Current liabilities			
Interest-bearing loans and borrowings		**12,888**	5,986
Trade and other payables		**8,625**	6,625
Deferred and contingent consideration		**1,420**	1,250
Tax payable		**975**	758
Provisions		**-**	86
Other financial liabilities		**57**	15
Total current liabilities		**23,965**	14,720
Net current assets		**9,767**	11,090
Non-current liabilities			
Interest-bearing loans and borrowings		**4,081**	4,874
Deferred and contingent consideration		**212**	898
		212	130
Provisions			
Deferred tax liabilities		**1,019**	901
Total non-current liabilities		**5,524**	6,803
Net assets		**60,849**	58,143
Equity directly attributable to owners of the parent			
Share capital	11	**21,539**	21,539
Share premium		**46,880**	46,880
Share based payment reserve		**733**	380

Consolidated Statement of financial position

	Note	2016	2015
Shares owned by the Employee Benefit Trust		**(338)**	(338)
Merger reserve		**293**	293
Merger relief reserve		**2,086**	2,086
Currency translation reserve		**257**	(93)
Retained losses		**(10,601)**	(12,604)
Total equity		**60,849**	58,143

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Consolidated statement of changes in equity

	Share capital £000	Share premium £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 2015	**21,414**	**46,664**	**148**	-	**293**	**2,086**	**(178)**	**(14,521)**	**55,906**
Profit for the year	-	-	-	-	-	-	-	4,092	4,092
Other comprehensive loss	-	-	-	-	-	-	85	-	85
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**85**	**4,092**	**4,177**
Transactions with owners									
Issue of share capital	125	216	-	-	-	-	-	-	341
Shares purchased by the EBT	-	-	-	(338)	-	-	-	-	(338)
Share-based payment charge	-	-	342	-	-	-	-	-	342
Share options settled	-	-	(110)	-	-	-	-	-	(110)
Equity dividends paid	-	-	-	-	-	-	-	(2,175)	(2,175)
Total transactions with owners	**125**	**216**	**232**	(338)	**-**	**-**	**-**	**(2,175)**	**(1,940)**
Balance at 1 January 2016	**21,539**	**46,880**	**380**	**(338)**	**293**	**2,086**	**(93)**	**(12,604)**	**58,143**

	Share capital £000	Share premium £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
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**	(338)	**-**	**-**	**-**	**(2,287)**	**(1,934)**
Balance at 31 December 2016	**21,539**	**46,880**	**733**	**(338)**	**293**	**2,086**	**257**	**(10,601)**	**60,849**

FLOWTECH FLUIDPOWER PLC

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

Final statement of results for the year ended 31 December 2016

Consolidated Statement of cash flows

	Note	**2016 £000**	2015 £000
Cash flow from operating activities			
Net cash from operating activities	12	4,166	5,943
Cash flow from investing activities			
Acquisition of businesses, net of cash acquired		(3,677)	(3,063)
Acquisition of property, plant and equipment		(858)	(750)
Proceeds from sale of property, plant and equipment		52	7
Payment of deferred and contingent consideration		(1,031)	(1,603)
Net cash used in investing activities		(5,514)	(5,409)
Cash flows from financing activities			
Proceeds from new loan		-	6,523
Repayment of long term borrowings		(857)	(2,357)
Net change in short term borrowings		7,000	(2,096)
Repayment of finance lease liabilities		(37)	(32)

	Note	2016 £000	2015 £000
Interest received		1	14
Interest paid		(302)	(244)
Purchase of own shares		-	(338)
Cash settled share options		-	(105)
Dividends paid		(2,287)	(2,175)
Net cash generated from/(used in) financing activities		3,518	(810)
Net change in cash and cash equivalents		2,170	(276)
Cash and cash equivalents at start of year		1,725	1,979
Exchange differences on cash and cash equivalents		(71)	22
Cash and cash equivalents at end of year		3,824	1,725

FLOWTECH FLUIDPOWER PLC

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

Final statement of results for the year ended 31 December 2016

NOTES TO THE PRELIMINARY STATEMENT

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The final statement has 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 2016. 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 2016 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 2016 will be delivered to the Registrar of Companies following the Annual General Meeting.

The consolidated financial information has been prepared on the basis of accounting policies set out in the Group's financial statements which are unchanged from 2015.

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

The Group meets it day-to-day working capital requirements through its bank facilities. The Directors have carefully considered the banking facilities and their future covenant compliance in light of the current and future cash flow forecasts and they believe that the Group are appropriately positioned to ensure the conditions of its funding will continue to be met and therefore enable the Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As such, the Directors are satisfied that the Company and Group have adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing the financial statements.

2. SEGMENTAL REPORTING

Segment information for the reporting periods is as follows:

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	401	-	(2,397)	**7,454**
Net financing costs	(1)	(65)	(39)	-	(505)	**(610)**
Underlying segment result	7,625	1,758	362	-	(2,902)	**6,844**
Separately disclosed items (see note 3)	(180)	40	(57)	-	(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**

For the year ended 31 December 2015	Flowtechnology £000	Power Motion Control £000	Inter-segmental transactions £000	Central Costs £000	**Total continuing operations £000**
Income statement - continuing operations:					
Revenue from external customers	33,169	11,680	-	-	**44,848**
Inter segment revenue	959	231	(1,190)	-	**-**
Total revenue	34,127	11,911	(1,190)	-	**44,848**
Underlying operating result	7,571	1,228	-	(1,931)	**6,868**
Net financing costs	(65)	3	-	(149)	**(211)**
Underlying segment result	7,506	1,231	-	(2,080)	**6,657**
Separately disclosed items (see note 3)	(166)	(505)	-	(706)	**(1,377)**
Profit/(loss) before tax	7,339	726	-	(2,786)	**5,280**
Specific disclosure items					
Depreciation	412	93	-	-	**505**
Amortisation	-	413	-	-	**413**
Reconciliation of underlying operating result to operating profit:					
Underlying operating result	7,571	1,228	-	(1,931)	**6,868**
Separately disclosed items (see note 3)	(166)	(505)	-	(706)	**(1,377)**
Operating profit/(loss)	**7,404**	**723**	**-**	**(2,637)**	5,491

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 2016		31 December 2015	
	Revenue	**Non-current assets**	Revenue	Non-current assets
	£000	**£000**	£000	£000
United Kingdom	**44,133**	**55,118**	36,329	52,326
Europe	**8,806**	**1,488**	7,760	1,530
Rest of world	**841**	**-**	759	-
Total	**53,780**	**56,606**	44,848	53,856

All revenue is derived from the sale of goods. No customers of the Group account for 10% or more of the Group's revenue for either of the years ended 31 December 2016 or 2015. 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 finance expenses associated with Group loans and separately disclosed items (note 3).

3. SEPARATELY DISCLOSED ITEMS

	2016 £000	2015 £000
Separately disclosed items within administration expenses:		
- Acquisition costs	**419**	299
- Amortisation of acquired intangibles	**569**	413
- Share based payment costs	**353**	342
- Restructuring	**84**	323
- Gain on release of over provision for contingent consideration	**(108)**	-
Total separately disclosed items	**1,317**	1,377

- Acquisition costs relate to stamp duty, due diligence, legal fees, finance fees and other professional costs incurred in the acquisition of businesses
- Share-based payment costs relate to the provision made in accordance with IFRS 2 "Share-based payment" following the issue of share options to employees
- Restructuring costs relate to restructuring activities of an operational nature following acquisition of business units and other restructuring activities in established businesses, including redundancy costs

4. FINANCIAL INCOME AND EXPENSE

Finance income for the year consists of the following:

	2016 £000	2015 £000
Finance income arising from:		
Interest income from cash and cash equivalents	**1**	4
Fair value gains on forward exchange contracts held for trading	**-**	18
Total finance income	**1**	22

Finance expenses for the year consist of the following:

	2016 £000	2015 £000
Finance expense arising from:		
Interest on invoice discounting and stock loan facilities	**3**	36
Interest on revolving credit facility	**241**	41
Finance lease interest	**3**	3
Bank loans - current facilities	**116**	132
Other credit related interest	**1**	4

	2016 £000	2015 £000
Total bank and other credit interest	**364**	216
Imputed interest on deferred and contingent consideration	**174**	17
Fair value losses on forward exchange contracts held for trading	**73**	-
Sub total	**247**	17
Total finance expense	**611**	233

5. TAXATION

Recognised in the income statement	**2016**	2015
Continuing operations:	**£000**	£000
Current tax expense		
Current year charge	**1,285**	1,231
Overseas tax	**20**	3
Adjustment in respect of prior periods	**12**	(76)
Current tax expense	**1,317**	1,158
Deferred tax		
Origination and reversal of temporary differences	**(118)**	(97)
Adjustment in respect of prior periods	**(7)**	(11)
Change in tax rate	**(46)**	7
Deferred tax credit	**(171)**	(101)
Total tax expense - continuing operations	**1,146**	1,057

	2015	2015
Discontinued operations:	**£000**	£000
Current year credit	**(22)**	-
Total tax expense - discontinued operations	**(22)**	-
Total tax expense in the income statement	**1,057**	1,057

No income tax was recognised in other comprehensive income or directly in equity for either of the years ended 31 December 2016 or 2015.

Reconciliation of effective tax rate

	2016	2015
	£000	£000
Profit for the year	**4,290**	4,092

Total tax expense	**1,124**	1,057
Profit excluding taxation	**5,414**	5,149
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	**1,083**	1,042
Deferred tax movements not recognised	**33**	37
Effect of tax rates in foreign jurisdictions	**1**	(4)
Impact of change in tax rate on deferred tax balances	**(46)**	1
Income not chargeable	**(22)**	-
Amounts not deductible	**70**	68
Adjustment in respect of prior periods	**5**	(87)
Total tax expense in the income statement - continuing and discontinued	**1,124**	1,057

6. DIVIDENDS

	2016	2015
	£000	£000
Final dividend of 3.50p (2015: 3.33p) per share	**1,499**	1,426
Interim dividend of 1.84p (2015: 1.75p) per share	**788**	749
Total dividends	**2,287**	2,175

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2016 of 3.67p (2015: 3.50p) per share which will absorb an estimated £1.6 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 23 June 2017 to Shareholders who are on the register of members on 2 June 2017 with ordinary shares trading ex-dividend on 1 June 2017.

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 2016			Year ended 31 December 2015		
	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	**4,381**	**43,078**	**10.17**	4,223	42,869	9.85
Discontinued operations	**(91)**	**43,078**	**(0.21)**	(131)	42,869	(0.31)
Basic earnings per share	**4,290**	**43,078**	**9.96**	4,092	42,869	9.54

Diluted earnings per share						
Continuing operations	**4,381**	**43,456**	**10.08**	4,223	43,387	9.73
Discontinued operations	**(91)**	**43,456**	**(0.21)**	(131)	43,387	(0.30)
Diluted earnings per share	**4,290**	**43,456**	**9.87**	4,092	43,387	9.43

	2016 '000	2015 '000
Weighted average number of ordinary shares for basic and diluted earnings per share	**43,078**	42,869
Impact of share options	**378**	518
Weighted average number of ordinary shares for diluted earnings per share	**43,456**	43,387

8. ACQUISITION OF INDEQUIP

On 19 February 2016 the Group acquired the trade and assets of Indequip, a UK-based business. The acquisition was made to enhance the Group's position in the technical pneumatic market.

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	68	(58)	-	**10**
Intangible assets	-	-	96	**96**
Inventories	392	(228)	-	**164**
Trade and other receivables	10	-	-	**10**
Cash and cash equivalents	-	-	-	**-**
Trade and other payables	-	-	-	**-**
Current tax balances	-	-	-	**-**
Provisions	-	-	-	**-**
Deferred tax liability	-	-	(19)	**(19)**
Total net assets	470	(286)	77	**261**

	£000
Fair value of consideration paid	
Amount settled in cash	**893**
Total consideration	**893**
Less net assets acquired	**(261)**
Goodwill on acquisition	**632**

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

CONSIDERATION TRANSFERRED

Indequip was acquired on 19 February 2016 for cash consideration of £893,000. Acquisition costs amounting to £31,000 have been recognised as an expense in the Consolidated Income Statement as part of separately disclosed administration costs.

GOODWILL

Goodwill of £632,000 is primarily related to expected future profitability 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.

INTANGIBLE ASSET

An intangible asset of £96,000 has been provisionally identified related to the brand identity of Indequip. The estimated useful life has been determined as five years based on the expected future cash flows that it would generate in arriving at their fair value. The components of the brand considered in the valuation comprised the website, catalogue and awareness of brand in the industry. Sales growth over the five-year period has been assumed to be 1% with an attrition rate of 3% for customers. Growth and attrition rates are based on management experience and expectations. Amortisation of the brand is not expected to be deductible for tax purposes.

FAIR VALUE ADJUSTMENTS

- The value of property, plant and equipment has been decreased by £58,000 to reflect alignment of the useful life review policy with that of the Group.
- The value of inventories has been decreased by £228,000 to reflect the alignment of stock valuation methods with those of the Group.

INDEQUIP'S CONTRIBUTION TO THE GROUP RESULTS

Indequip generated a profit after tax of £227,000 for the ten months from 19 February 2016 to the reporting date. If Indequip had been acquired on 1 January 2016, it is estimated revenue for the Group would have been £54,173,000 and profit after tax for the year would have increased by £19,000.

Summary aggregated estimated financial information on Indequip for the period from 1 January 2016 to 19 February 2016, when it became a subsidiary:

	2016 **£000**
Revenue	**393**
Profit	**19**

9. ACQUISITION OF HYDRAVALVE LIMITED

On 18 March 2016, the Group acquired 100% of the share capital of Hydravalve Limited, a UK-based business, thereby obtaining control. The acquisition was made to establish the Group's position in supply of valves and actuation to the process industries. The total consideration was £2,727,000. This comprised £2,105,000 in cash and £622,000 contingent cash consideration. The additional consideration is based on profit targets for the Company's customer base and is payable on the first and second anniversaries of the acquisition. The fair value of £622,000 has been calculated using management forecasts of Hydravalve's Limited's performance discounted at the Company's weighted average cost of capital.

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**	**Provisional fair value £000**

			£000	
Property, plant and equipment	229	39	-	**268**
Intangible assets	-	-	879	**879**
Inventories	1,634	(163)	-	**1,471**
Trade and other receivables	942	(19)	-	**923**
Cash and cash equivalents	(312)	-	-	**(312)**
Finance leases	(71)	(48)	-	**(119)**
Trade and other payables	(606)	-	-	**(606)**
Current tax balances	(216)	-	-	**(216)**
Provisions	-	(72)	-	**(72)**
Deferred tax liability	(41)	-	(176)	**(217)**
Total net assets	1,559	(263)	703	**1,999**

	£000
Fair value of consideration paid	
Amount settled in cash	**2,105**
Fair value of contingent consideration	**622**
Total consideration	**2,727**
Less net assets acquired	**(1,999)**
Goodwill on acquisition	**728**

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

CONSIDERATION TRANSFERRED

Hydravalve Limited was acquired on 18 March 2016 for a total consideration of £2,727,000 comprising £2,105,000 in cash and £622,000 contingent cash consideration. The contingent consideration is due in two instalments on 18 April 2017 and 18 April 2018. It is contingent on the earnings before interest and tax exceeding a target EBIT of £727,000 per annum for the first two years post acquisition. Performance under the target will reduce consideration payable. The maximum contingent consideration payable is £2,000,000. The fair value of £622,000 has been estimated by management using a discount rate of 10.9%, being the weighted average cost of capital of Hydravalve Limited and sales forecasts prepared by management at the time of acquisition, these have been reviewed for performance up to the reporting date.

Acquisition costs and stamp duty amounting to £112,000 have been recognised as an expense in the Consolidated Income Statement as part of separately disclosed administration costs.

GOODWILL

Goodwill of £728,000 is primarily related to expected future profitability and expected cost synergies. 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 £879,000 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

1.0% with an attrition rate of 7.5% 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 £9,000 to reflect to reflect alignment of the useful life review policy with that of the Group and increased by £48,000 to recognise a leased asset omitted from the books of the Company prior to acquisition.
- The value of inventories has been decreased by £163,000 to reflect the alignment of the Hydravalve stock provisioning policy with that of the Group.
- The value of debtors has been decreased by £19,000 to reflect the alignment of the Hydravalve debtor provisioning policy with that of the Group.
- The value of lease finance liabilities has been increased by £48,000 to recognise a leased obligation omitted from the books of the Company prior to acquisition.
- The value of provisions has been increased by £72,000 to reflect a provision for dilapidation costs relating to properties leased by the Company.

HYDRAVALVE LIMITED'S CONTRIBUTION TO THE GROUP RESULTS

Hydravalve Limited generated a profit after tax of £337,000 for the nine months from 18 March 2016 to the reporting date. If Hydravalve Limited had been acquired on 1 January 2016, revenue for the Group would have been £54,714,000 and profit after tax for the year would have increased by £16,000.

Summary aggregated financial information on Hydravalve Limited for the period from 1 January 2016 to 18 March 2016 when it became a subsidiary:

	2016
	£000
Revenue	**934**
Profit	**16**

10. ACQUISITION OF TRIPLESIX LIMITED

On 29 July 2016 the Group acquired the entire share capital of Triplesix Limited, a UK-based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the hydraulic cylinder and rotary actuator market. On 1st October 2016 the trade and assets of Triplesix Limited were transferred its parent PMC Fluidpower Limited.

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	41	(6)	-	**35**
Intangible assets	-	-	195	**195**
Inventories	16	-	-	**16**
Trade and other receivables	193	(47)	-	**146**
Cash and cash equivalents	409	-	-	**409**
Trade and other payables	(64)	-	-	**(64)**
Current tax balances	(63)	-	-	**(63)**

Provisions	-	(10)	-	**(10)**
Deferred tax liability	(8)	-	(35)	**(43)**
Total net assets	524	(63)	160	**621**

	£000
Fair value of consideration paid	
Amount settled in cash	**776**
Total consideration	**776**
Less net assets acquired	**(621)**
Goodwill on acquisition	**155**

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

CONSIDERATION TRANSFERRED

Triplesix Limited was acquired on 29 July 2016 for a total cash consideration of £776,000. Contingent consideration with a maximum value of £750,000 is included within the purchase agreement and is due in four six monthly instalments starting 1 March 2017. It is contingent on the earnings before interest and tax exceeding £112,000 per annum for the first two years' post acquisition. Following review of performance post acquisition and management forecasts for the next year, EBIT targets are not expected to be met and no provision has been made for contingent consideration.

Acquisition costs and stamp duty amounting to £17,000 have been recognised as an expense in the Consolidated Income Statement as part of separately disclosed administration costs.

GOODWILL

Goodwill of £155,000 is primarily related to expected future profitability and expected purchasing synergies from Group buying arrangements. The employee base brings additional skill sets in three-dimensional design capabilities and a design database which can be utilised across 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 £195,000 has been 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 those purchasing bespoke cylinders and actuators, a product group which is new to the segment, but complementary to existing sales streams. Sales growth over the ten year period has been assumed to be 2% with an attrition rate of 10% for customers. Growth and attrition rates are based on a review of sales and customer records. 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 £6,000 to reflect the alignment of the useful life review policy with that of the Group.
- The value of debtors has been decreased by £47,000 to reflect the alignment of the Triplesix Limited debtor provisioning policy with that of the Group and to provide for significant bad debts apparent at the date of acquisition.
- The value of provisions has been increased by £10,000 to reflect a provision for dilapidation costs relating to properties leased by the Company.

TRIPLESIX LIMITED'S CONTRIBUTION TO THE GROUP RESULTS

Triplesix Limited generated a loss after tax of £10,000 for the seven months from 29 July 2016 to the reporting date. If Triplesix Limited had been acquired on 1 January 2016, revenue for the Group would have been £54,504,000 and profit after tax for the year would have increased by £111,000.

Summary aggregated financial information on Triplesix Limited for the period from 1 January 2016 to 29 July 2016, when it became a subsidiary:

	2016
	£000
Revenue	**724**
Profit	**111**

11. 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 2016	43,078,282	21,539
Shares authorised for share based payments	6,666,667	3,333
Total shares authorised at 31 December 2016	**49,744,949**	**24,872**

	Number	£000
Allotted and fully paid ordinary shares of 50p each		
At 1 January 2016 and 31 December 2016	**43,078,282**	**21,539**

12. NET CASH FROM OPERATING ACTIVITIES

		2015
		£000
		2015
		£000
	2016	2015
Reconciliation of profit before taxation to net cash flows from operations	**£000**	£000
Profit from continuing operations before tax	**5,527**	5,280
Loss from discontinued operations before tax	**(113)**	(131)
Depreciation	**526**	505
Financial income	**(1)**	(22)
Financial expense	**611**	232
Profit on sale of plant & equipment	**(21)**	(7)
Amortisation	**569**	413
Equity settled share-based payment charge	**353**	342

12. NET CASH FROM OPERATING ACTIVITIES

		2015 £000 2015 £000
	2016	2015
Release of over accrued contingent consideration	**(108)**	-
Operating cash inflow before changes in working capital and provisions	**7,343**	6,612
Change in trade and other receivables	**(1,384)**	1,628
Change in stocks	**(1,486)**	(688)
Change in trade and other payables	**1,126**	(136)
Change in provisions	**(86)**	(60)
Cash generated from operations	**5,513**	7,356
Tax paid	**(1,347)**	(1,413)
Net cash generated from operating activities	**4,166**	5,943

13. POST BALANCE SHEET EVENTS

Hydraulics and Transmissions Limited (HTL) was acquired on 20 January 2017 for an initial consideration of £0.75 million in cash with contingent consideration of £1 million anticipated to be paid over the next two years. The cash consideration was funded out of existing Group resources. The Company provides fluid power solutions predominantly to the mobile market segment and is based in Ludlow, Shropshire. The acquisition will add significantly to the Group's procurement relationship with key global suppliers of hydraulic components. The business now forms part of the PMC division. The initial accounting for the business combination is incomplete at the date of issue of these financial statements, hence no further disclosure can be provided.

On 30 March 2017 Flowtech Fluidpower plc raised approximately £10million (before expenses) via the placing of 8,333,333 new ordinary shares at 120 pence per share.

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

14. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 25 May 2017 at 10am. at the offices of our joint brokers, finnCap, 60 New Broad Street, London EC2M 1JJ.

15. ELECTRONIC COMMUNICATIONS

The full Financial Statements for the year ended 31 December 2016 are to be published on the Company's website, together with the Notice convening the Company's 2017 Annual General Meeting by 28 April 2017. 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 4 April 2017. 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.