FLOWTECH FLUIDPOWER PLC

HALF-YEAR REPORT

for the six months ended 30 June 2016

www.flowtechfluidpower.com

Stock Code: FLO

Solutions Partnerships Traditions

Welcome to our Half-Year Report

Who are we?

Flowtech Fluidpower plc is the UK's leading distributor of technical fluid power products and has an international footprint with offices in the UK, ROI and Benelux with a buying, QC and logistics office in China

The Group's main distribution centre is in Skelmersdale, Lancashire and the business employs 324 people

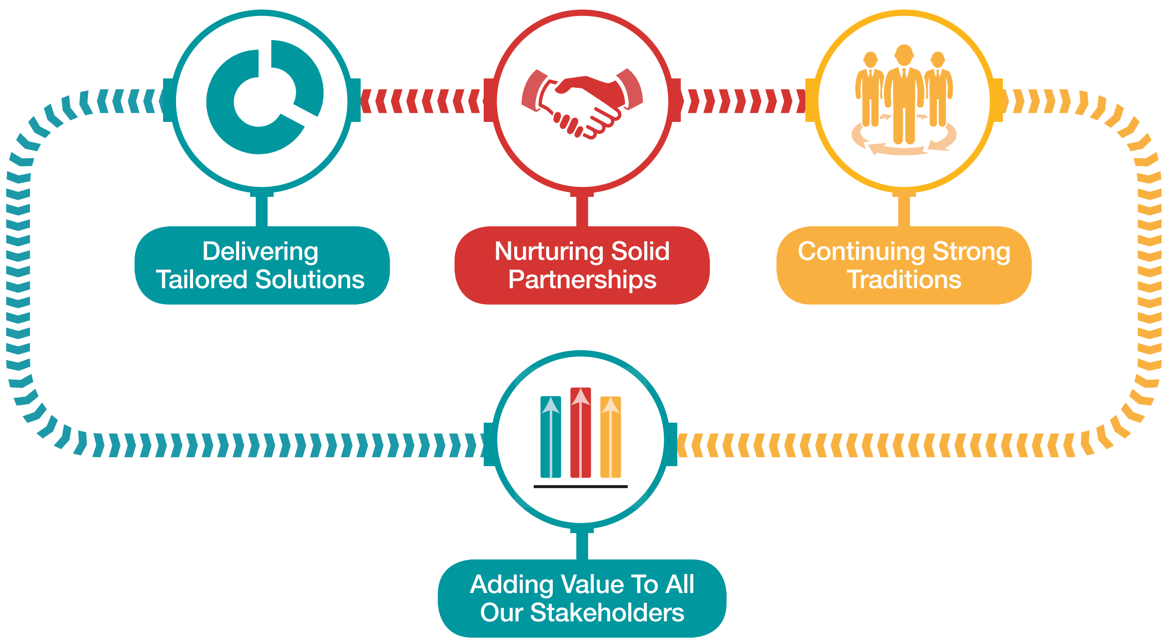
Our mission

Guided by its principles to build and maintain strong customer relations, the Group will continue to invest in its people, products and servicing requirements

Our vision

To be a key leader and to be the 'best in industry' for the fluid power sector

Our values



Reasons to invest

1 Our Business
A focused Fluid Power Group delivering technical products, design, manufacturing and support to distributors, industrial users and OEM's in the UK and Europe

2 Growth
Developing a strong and focused offering across many channels and sectors, driven by organic growth and an acquisition strategy of adding technically based businesses from the fluid power market in the UK and Europe

3 Margins
Strong consistent GP% margins are the cornerstone, driven by a clear focus on the fluid power sector, this focus translates to consistently high double digit EBITA growth

4 Workforce
The management team is highly experienced and works in an environment driven by collaboration, this is mirrored throughout the organisation delivering a market leading workforce committed to delivering excellence

5 Market
The market is highly fragmented, we hold a key position, with multi-branded businesses operating across multiple channels delivering market leading technical services, products and support across many sectors

6 Customers
We operate across a wide and varied range of sectors through a diverse customer base

7 Products
Through a strong technical product set, purchasing synergies and technical sales, the Group has been able to develop a reputation for delivering high quality and market leading services linked to wider added value offerings across many sectors.

8 Capabilities
Our organisational structure has been designed for growth. Business units focused on sales and service supported by a strong central support team, allow quick integration and consolidation

What's inside

Strategic Report

Our Financials

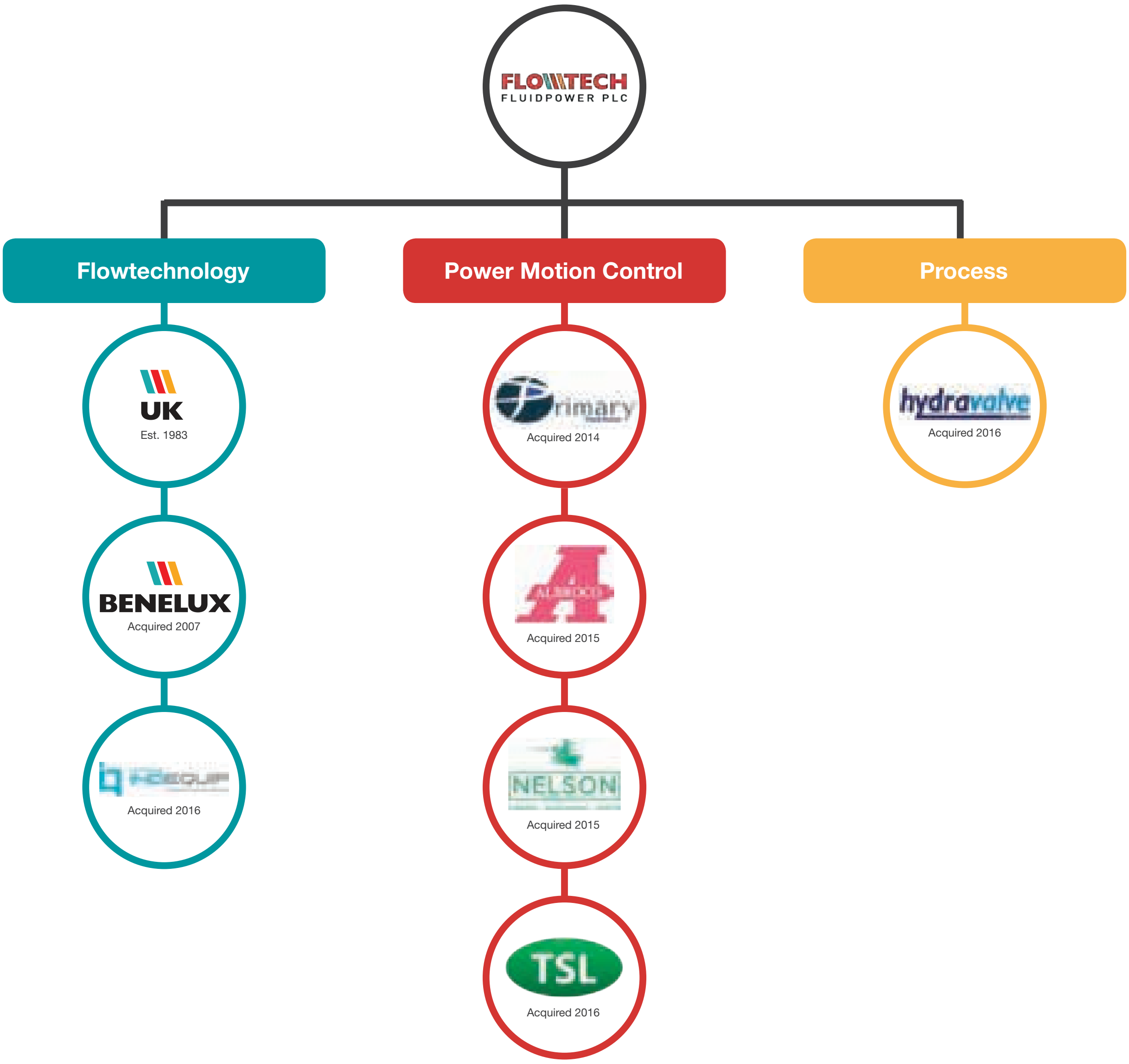
Investor website

We maintain a corporate website at **www.flowtechfluidpower.com** containing a wide variety of information of interest to investors including:

- Latest news and press releases
- Annual Reports

Group at a glance

Flowtech Fluidpower plc ("Flowtech" or "the Group") is a leading specialist supplier of technical fluid power products to over 5,300 customers in the UK and Northern Europe. The Group has established a key position in the fluid power supply chain. The focus on core competencies within the fluid power market has been central to our continued success and this focus will support our long term strategy. We acquire established, specialist businesses that extend our Group capability, however, we believe in maintaining their heritage, individuality and specialism. Ensuring consistency for their customers is important to us, so we simply improve these businesses with our Group central services, shown below. The Group key enablers are shown on the opposite page.



Group central services

MANAGEMENT	FINANCE	MARKETING
CREATIVE SERVICES	IT	HR

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 exploited.

Flowtechnology

The Flowtechnology division is formed from Flowtechnology UK, Flowtechnology Benelux and Indequip. Flowtechnology UK and Flowtechnology Benelux operate the same business model in the UK and Northern Europe respectively and focus on supplying distributors and resellers of industrial MRO (maintenance, repair and operation) products, primarily serving urgent orders rather than bulk offerings. Flowtechnology offers an unrivalled range of OEM and Exclusive Brand products in the UK and Northern Europe. Indequip is a UK distributor of pneumatic and hydraulic components and a leading catalogue brand.

Power Motion Control

The Power Motion Control division specialises in the design and assembly of engineering components and hydraulic systems, it is further enhanced by component supply along with a service and repair function. It is formed from Primary Fluid Power, Nelson Fluid Power, Albroco and Triplesix Limited. Primary Fluid Power is a technically based hydraulics business and holds a strong market position, focusing on the delivery of components and power packs to the OEM marketplace. Nelson Fluid Power is a distributor of hydraulic equipment, components and hose assemblies. Albroco supplies hydraulic components and electro-mechanical products to the on and off highway markets. Triplesix Limited is a specialist designer and distributor of hydraulic cylinders and semi rotary actuators.

Process

The Process division focuses on distribution of industrial components to the process sectors. This is the newest division in the Group, formed as a result of the acquisition of Hydravalve. Hydravalve specialises in the distribution of a wide range of products from pneumatics and hydraulics to electric and pneumatic actuated valves to process industries, including original equipment manufacturers in paint production, paint spraying, mixing, foundry, food and beverage, industrial washing and hydraulics. The product range is only sourced through ISO approved suppliers.

Group key enablers

TRUSTED BRAND	CUSTOMER KNOWLEDGE	ESTABLISHED SOURCING
MODERN FACILITIES	COMMITTED PEOPLE	ASTUTE ACQUISITIONS

Our strategy

The Group has a clear view of its growth objectives – to create a specialist fluid power organisation that remains focused on its core competencies whilst servicing the varied industrial and manufacturing sectors through its delivery of ‘class-leading’ service and support. Our long term growth model is based on organic growth coupled with complementary acquisitions in a very fragmented marketplace.

Strategic focus	Description
	Brand positioning Branding and the ability to maintain and build a reputation is critical to our long term development. For all future acquisitions, brand and reputation will be paramount with the intention to maintain any local company branding and build on its existing position. Product brand expansion continues to be a key strategy for the Group.
	Acquisitions and integration The strategy is to acquire complementary businesses operating in specific channels, highly focused, commercially independent operations delivering quality customer service at all times. Integration projects are ongoing to streamline all processes across the Group to ensure that every operation can minimise its administration burden and concentrate on delivering growth.
	E-Commerce and business intelligence The Flowtechnology operation has always been innovative in its use of e-commerce and our website is fully integrated to our stock control systems. 67% of Flowtechnology customers order online in the UK and this model will be rolled out to the other businesses in the Group. Business intelligence initiatives create insight which enables us to improve our products, our inventory management and pricing strategies.
	Products and sourcing We aim to have a market position as a one-stop shop supplier of fluid power products. 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. The business nurtures its relationships with OEM suppliers whilst developing complementary Exclusive Brands.
	Supply chain We have built long term partnerships with our suppliers and quality logistics companies to enable us to provide the pace and responsiveness our customers demand. In the Flowtechnology segments we consistently achieve our service level targets of 99% orders delivered next day, this is underpinned by our strategy in products and sourcing and sound inventory management. Where acquisitions include distribution operations they will be integrated into the Flowtechnology segments to provide synergy savings for the benefit of all our stakeholders.
	People People are one of our strongest assets. As well as recruiting new talent, we are keen to acquire companies who value the importance of their workforce and share our values of continuing strong traditions. Investing in our management teams brings the benefits of improved retention and talent identification for succession planning. We see training and development of employees as key to our strategy to achieving our overall goals.

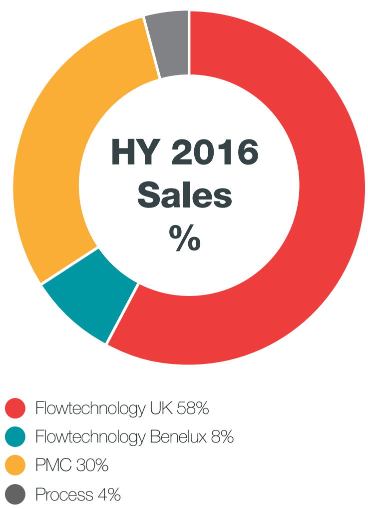
Financial and operational highlights

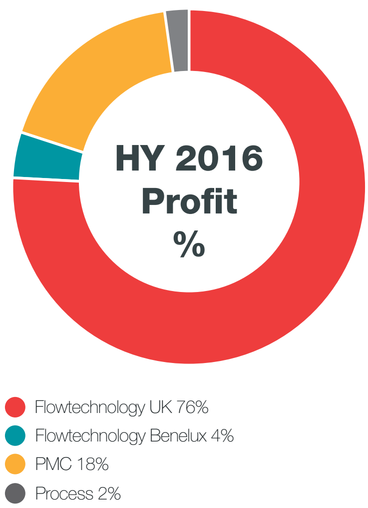
Financial highlights

	HY2016 30.6.16 Unaudited	HY2015 30.6.15 Unaudited	FY2015 31.12.15 Audited	Growth %
Revenue:				
– Flowtechnology	**£18.093m**	£17.488m	£33.168m	+3%
– Power Motion Control (PMC)	**£8.268m**	£3.935m	£11.680m	+110%
– Process	**£1.026m**	–	–	–
Group total revenue	**£27.387m**	£21.423m	£44.848m	+28%
Gross profit	**£9.551m**	£7.203m	£15.345m	+33%
Underlying operating profit	**£4.059m**	£3.404m	£6.868m	+19%
Operating profit	**£3.290m**	£3.012m	£5.491m	+9%
Half-year dividend	**1.84p**	1.75p	–	+5%
Earnings per share (basic)	**5.91p**	5.62p	9.85p	+5.0%
Net debt	**£14.1m**	£7.5m	£9.0m	

Operational highlights include:

- Solid first half performance in challenging market conditions
- Strong momentum within the recently established PMC and process divisions
- Gross margins remain resilient across all divisions
- Acquisition strategy delivering excellent opportunities to acquire niche businesses with specialist sector focus
  - Three completed in 2016 and six since becoming a plc
  - All integrations on target
  - Confident of further progress before the end of the year
- Expanded customer profile into new end user markets including agriculture, railway, environmental, water and pharmaceutical
- Strong focus on investing in group resources for the future
- Net debt comfortably within available facilities and covenants





"Flowtech remains confident in its ability to execute its proven strategy to develop in its technically specialised sectors in the UK and internationally. The Company is recognised as a skilled and resilient business operating in a fragmented fluid power distribution market. In addition to organic sales growth there remains a number of opportunities to further enhance Flowtech's multi-channel approach through; its investment in people and increased sales resource, the ongoing development of Exclusive Brand and OEM product offering, as well as through earnings enhancing acquisitions."

Sean Fennon CEO
Flowtech Fluidpower plc

Directors' statement

Pictured left to right: Nigel Richens, Malcolm Diamond MBE, Sean Fennon and Bryce Brooks

"The Flowtech Group is developing both strength and depth across its product portfolio, customer reach and, following recent acquisitions, it has been able to widen the geographical areas and the industrial fluid power markets it serves."

Malcolm Diamond MBE
Non-Executive Chairman

Introduction

It is pleasing to report that since joining AiM in 2014 the Group has:

- Expanded its portfolio through the launch of over 3,000 new lines across existing and new product categories
- Completed six acquisitions: Primary, Albroco, Nelson, Indequip, Hydravalve and TSL
- Established three clearly-focussed divisions: Flowtechnology, Power Motion Control and Process; and
- Developed new strategic sales refinements and data processing resources which will deliver improved operating efficiencies across the organisation in the long term

As a business:

- We are in a unique position within the fluid power supply chain, as we are aligned to both the global supply base and its distributor network. We are in an exciting phase; our offer continues to develop to the varied industrial and manufacturing customers we supply everyday around the UK and overseas.

As a Board:

- We remain optimistic that our wide range of revenue enhancing development programmes, when linked to our acquisition strategy based on a clear multi-channel approach, will continue to create significant opportunity for further growth and increased market penetration. By developing our offer, we ensure that the Group maintains its competitive advantage in each of the markets in which it trades.

2016 Half-year financial performance

We are pleased to report an encouraging first half trading performance, all accomplished against a backdrop where the economic conditions have been challenging in most industrial markets across the key territories of the UK and mainland Europe. Whilst achieved primarily on the back of acquisition activity, overall turnover growth year on year of 28% has continued to raise our profile across new channels, assisting the business in adding market share and reinforcing our position as one of the leading players in the fluid power sector.

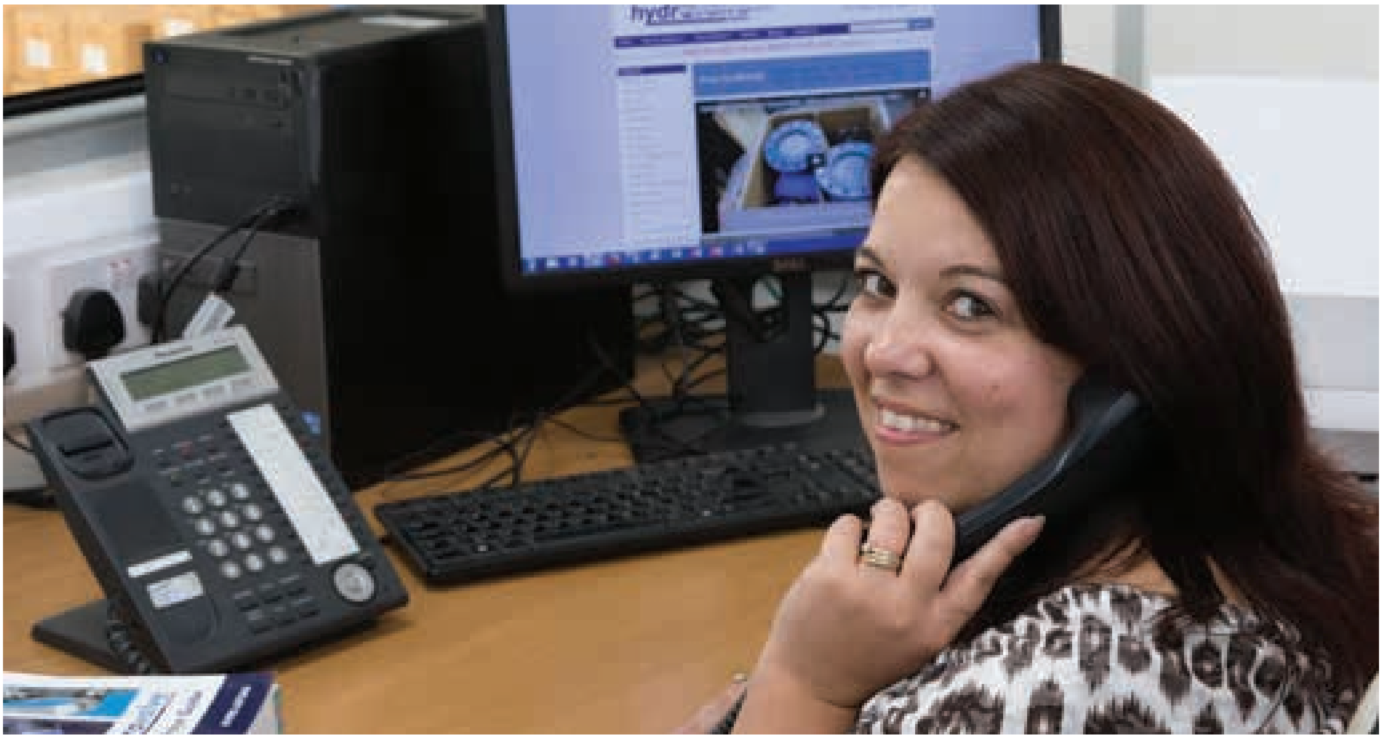
Although not defined under IFRS, the Directors believe that the underlying operating results give a better understanding of the business' performance. The table below details this is in summary and further information is contained in note 3 of this Report.

Continuing operations Underlying operating result*	**Six months ended 30 June 2016 £000**	Six months ended 30 June 2015 £000	% Change	Year ended 31 December 2015 £000
Flowtechnology	**4,164**	4,086	2%	7,571
Power Motion Control	**930**	284	227%	1,228
Process	**150**	–	–	–
Central costs	**(1,185)**	(966)	23%	(1,931)
Underlying operating result*	**4,059**	3,404	19%	6,868

* Underlying operating result is continuing operations' operating profit before acquisition costs, amortisation of acquired intangibles, share-based payment costs and restructuring costs. Underlying operating result is reconciled to statutory profit before tax in note 3 to the HY Report.

At divisional level, Flowtechnology UK was able to replace business lost mainly in larger accounts with exposure to more difficult sectors, such as the oil and gas industry. In addition, the acquisition of the trade and assets of Indequip has added to our product portfolio and allowed a more direct market approach with significant sections of the potential customer base. There remain many opportunities to develop our offer and the Group has continued to invest in sales and marketing functions to exploit these. In the Benelux sales grew by 11.3% (5.3% in constant currency) which has again lifted bottom line contribution proportionately.

In the Power Motion Control division, revenue in the first half grew by 110% to £8.3m, with the majority coming from the year on year effects of the acquisitions of Nelson and Albroco. However, Primary also continued to expand its sales profile after the erosion of its oil and gas related business in early 2015. The Process division, established in the first half of the 2016 has started well and contributed £1.0m to revenue.



Directors' statement continued

Gross profit margins across all divisions remained consistent and strong with no erosion experienced.

Our cost profiles in people, property and administration remain on target. Central costs have increased by £0.219m which includes bonuses costing £0.113m paid to the executive directors to reflect the increased scale and complexity of the Group achieved since 2014. Overall the Group continues to ensure that its central resources are able to support the expanding operational profile as necessary whilst obtaining appropriate "economies of scale", and it is firmly believed that the current resources available can support considerable further growth in the Group's activities. The Group is therefore able to report an underlying operating profit of £4.059m (2015: £3.404m), an increase of 19% year on year.

Restructuring costs of £0.118m (2015: £0.010m) relate exclusively to the cost of integration of new acquisitions into the Group and include redundant short term property lease costs and redundancy of back office services.

The Group outsources all professional services required to cover due diligence and administrative integration, including IT, of new acquisitions into the group and with three completed in the year to the date of this report these costs have therefore increased to £0.238m (2015: £0.050m).

Our business strategy for growth

Our Group's core philosophy is unchanged – i.e. to deliver profitable growth while maintaining consistent high levels of service to our diverse customer base. We have a solid technically based and resilient business model which is underpinned by its ability to deliver strong cash generation and profitable returns for all stakeholders.

During the last six months, we have added three successful businesses to the Group further enhancing our exposure to specialist hydraulics, pneumatics and the process industrial sectors:

Date	Brand	Financials on acquisition	Total consideration (net of cash in balance sheet)
February 2016		**Revenue:** £2.6m **PBT:** £0.1m **Net assets:** £0.5m	£0.9m
March 2016		**Revenue:** £4.0m **PBT:** £0.6m **Net assets:** £1.2	£3.8m of which £1.7m is contingent on financial performance in the two year period to March 2018
July 2016		**Revenue:** £1.2m **PBT:** £0.15m **Net assets:** £0.5m	£0.9m which £0.4m is contingent on financial performance in the two year period to July 2018

There remains significant opportunity to add more niche acquisitions and enhance organic growth through a mix of product development, value add services and new customer opportunities.

Financial position including cash flow and bank debt

Net operating cash flows (note 9) were £0.188m (2015: £1.659m), a reduction of £1.471m. However, the majority of this variance relates to the expected build-up of working capital in Indequip following the purchase of the trade in February 2016, as well as the seasonal nature of working capital movements in the Nelson operation, which was not included in the comparative due to the acquisition date being after June 2015. The balance of the variance represents the heavier bias in stock investment year on year as previously reported. This was carried out to take advantage primarily of better pricing opportunities in the Far East. This also has the added advantage of providing some cushion against recent currency movements following the Brexit vote in June 2016.

Net borrowings at 30 June 2016 were £14.1m. The extended bank facilities agreed with Barclays and first reported last year have supported the Group's acquisition activity and current headroom and covenants remain comfortable. Overall the Board expects strong cash generation in the second half of 2016. Cash collections remain good across all sectors.

Our people

Delivering our goals and objectives we now have over 324 technically-skilled staff employed across four countries and in nine locations. In order to continue our development, we need good people with determination, drive and technical know-how. We take this opportunity to welcome all new colleagues who joined us during the first half of the year. The Board thanks everyone around the business for their continuous hard work, dedication and loyalty, which underpins both the high level customer relationships and the Group's overall performance.

At Operating Board level, we congratulate John Farmer in his promotion to Managing Director of Flowtechnology UK, and, we welcome both Hydravalve's Managing Director, Andrew Newham and TSL's Managing Director, Steve Rushworth. In March we also welcomed Nick Fossey, joining the group from Eaton Corporation, in his key role leading the future development of the PMC division across the UK and Europe, where the opportunities for us to grow are extensive.

Outlook

The Flowtech Group is developing both strength and depth across its product portfolio, customer reach and, following recent acquisitions, it has been able to widen the geographical areas and the industrial fluid power markets it serves. It continues to develop a theme based on being a "specialist" rather than a "generalist" and the margin opportunities this allows.

Low global confidence and economic uncertainty is influencing many industrial sectors, particularly in the UK. We do believe this hiatus to be short term, and remain confident for the future. As we previously indicated, the Group operates in a "live" pricing environment and it is increasingly certain that input prices for many core product lines will increase in HY2 and early 2017 on the back of the sterling downgrade. The Board is confident that we will be able to maintain overall margins by a mixture of selling price increases and supplier support. The fluid power sector as a whole has come to expect a heavy bias towards US Dollar and Euro denominated supply lines and the macro economic situation is well understood by the sector's decision makers.

Trading is in line with management expectations despite some disruption over the immediate post Brexit vote period. Overall, we remain positive that we can deliver results in line with market consensus forecasts and are confident about the future. Our acquisition pipeline remains dynamic and the Group is now established as a very credible option for investors and owner managers across the sector who wish to exit their position.

Dividend

As shareholders are aware, the Board is focused on capital growth and increasing ROCE. We are also committed to a progressive dividend policy based on the Group's operational performance as a whole whilst balancing our investments in the business for the future.

The Board is therefore pleased to declare a half-year dividend of 1.84p (2015: 1.75p), a 5% increase. This interim dividend will be paid on 25 October 2016 to Members on the Register at the close of business on 30 September 2016. The shares will become ex-dividend on 29 September 2016. The dividend is covered 3.4 times by earnings.

We look forward to keeping investors updated on our progress over the coming months.

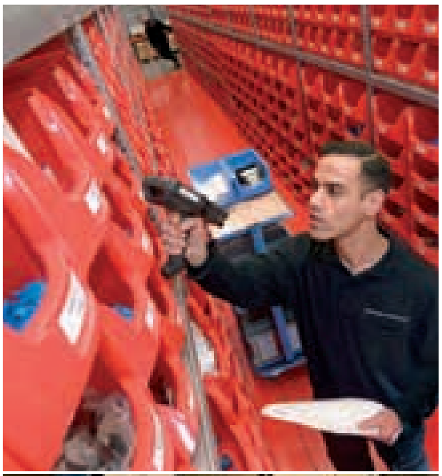
Principal risks and uncertainties

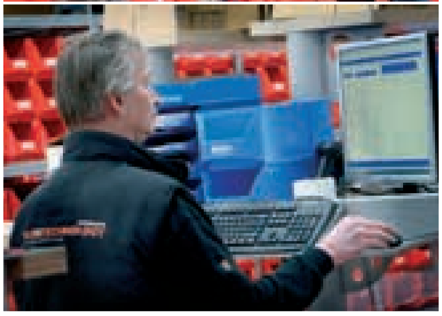
In common with all organisations, Flowtech faces risks which may affect its performance. The Group operates a system of internal control and risk management in order to provide assurance that we are managing risk whilst achieving our business objectives. No system can fully eliminate risk and therefore the understanding of operational risk is central to management processes. The long term success of the Group depends on the continual review, assessment and control of the key business risks it faces. The Directors set out in the 2015 Annual Report and Financial Statements the principal risks identified during this exercise, including quality control, systems and site disruption and employee retention. The Board does not consider that these risks have changed materially in the last six months.

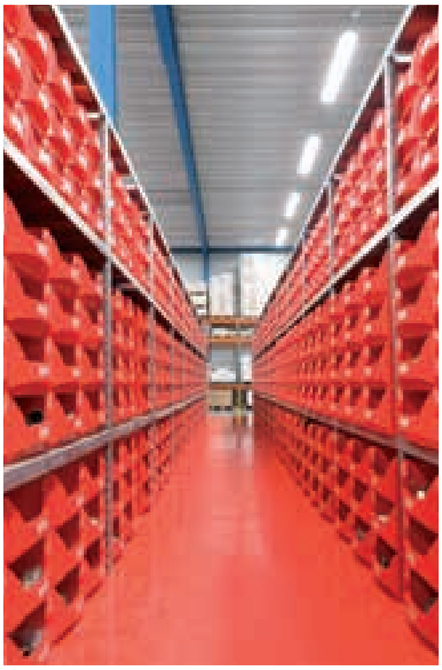
By order of the Board

Malcolm Diamond MBE
Non-Executive Chairman

Sean Fennon
Chief Executive Officer
12 September 2016







Consolidated Income Statement

for the six months ended 30 June 2016

	Notes	**Unaudited Six months ended 30 June 2016 £000**	Unaudited Six months ended 30 June 2015 £000	Audited Year ended 31 December 2015 £000
Continuing operations				
Revenue	3	**27,387**	21,423	44,848
Cost of sales		**(17,836)**	(14,220)	(29,503)
Gross profit		**9,551**	7,203	15,345
Distribution expenses		**(1,318)**	(1,065)	(2,245)
Administrative expenses before separately disclosed items:		**(4,174)**	(2,734)	(6,232)
— Acquisition costs	3	**(238)**	(50)	(299)
— Amortisation of acquired intangibles	3	**(264)**	(160)	(413)
— Share-based payment costs	3	**(149)**	(172)	(342)
— Restructuring costs	3	**(118)**	(10)	(323)
Total administrative expenses		**(4,993)**	(3,126)	(7,609)
Operating profit	3	**3,290**	3,012	5,491
Financial income		**–**	33	22
Financial expenses		**(223)**	(96)	(233)
Net financing costs		**(223)**	(63)	(211)
Profit from continuing operations before tax	3	**3,067**	2,949	5,280
Taxation	4	**(521)**	(542)	(1,057)
Profit from continuing operations		**2,546**	2,407	4,223
Loss from discontinued operations, net of tax		**–**	(73)	(131)
Profit for the period attributable to the owners of the parent		**2,546**	2,334	4,092
Earnings per share				
Basic earnings/(loss) per share				
Continuing operations		**5.91p**	5.62p	9.85p
Discontinued operations		**–**	(0.17p)	(0.31p)
Basic earnings per share	6	**5.91p**	5.45p	9.54p
Diluted earnings/(loss) per share				
Continuing operations		**5.86p**	5.45p	9.73p
Discontinued operations		**–**	(0.17p)	(0.30p)
Diluted earnings per share	6	**5.86p**	5.38p	9.43p

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2016

	Unaudited Six months ended 30 June 2016 £000	Unaudited Six months ended 30 June 2015 £000	Audited Year ended 31 December 2015 £000
Profit for the period	**2,546**	2,334	4,092
Other comprehensive income/(expense)			
— items that will be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	**302**	(95)	85
Total comprehensive income in the period attributable to the owners of the parent	**2,848**	2,239	4,177

Consolidated Statement of Financial Position
as at 30 June 2016

	Unaudited 30 June 2016 £000	Unaudited 30 June 2015 £000	Audited 31 December 2015 £000
Assets			
Non-current assets			
Goodwill	**48,312**	44,962	46,412
Other intangible assets	**4,889**	3,342	4,179
Property, plant and equipment	**3,702**	3,014	3,265
Total non-current assets	**56,903**	51,318	53,856
Current assets			
Inventories	**16,752**	10,466	13,254
Trade and other receivables	**14,718**	11,601	10,367
Prepayments	**725**	224	316
Other financial assets	**32**	31	32
Cash and cash equivalents	**1,711**	784	1,841
Total current assets	**33,938**	23,106	25,810
Liabilities			
Current liabilities			
Interest-bearing loans and borrowings	**10,905**	2,957	5,986
Trade and other payables	**9,313**	5,151	6,625
Deferred and contingent consideration	**1,068**	2,277	1,250
Tax payable	**937**	904	758
Provisions	**50**	63	86
Other financial liabilities	**16**	—	15
Total current liabilities	**22,289**	11,352	14,720
Net current assets	**11,649**	11,754	11,090
Non-current liabilities			
Deferred and contingent consideration	**2,789**	85	898
Interest-bearing loans and borrowings	**4,950**	5,286	4,874
Provisions	**130**	121	130
Deferred tax liabilities	**1,042**	702	901
Total non-current liabilities	**8,911**	6,194	6,803
Net assets	**59,641**	56,878	58,143
Equity directly attributable to owners of the parent			
Share capital	**21,539**	21,414	21,539
Share premium	**46,880**	46,664	46,880
Share-based payment reserve	**529**	307	380
Merger reserve	**293**	293	293
Shares owned by the EBT	**(338)**	–	(338)
Merger relief reserve	**2,086**	2,086	2,086
Currency translation reserve	**209**	(273)	(93)
Retained losses	**(11,557)**	(13,613)	(12,604)
Total equity	**59,641**	56,878	58,143

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2016

	Share capital £000	Share premium £000	Share-based payment reserve £000	Merger reserve £000	Merger relief reserve £000	Currency translation reserve £000	Shares owned by EBT	Retained losses £000	Total equity £000
Six months ended 30 June 2015 – unaudited									
Balance at 1 January 2015	21,414	46,664	148	293	2,086	(178)	–	(14,521)	55,906
Profit for the period	–	–	–	–	–	–	–	2,334	2,334
Other comprehensive expense	–	–	–	–	–	(95)	–	–	(95)
Total comprehensive (expense)/ income for the period	–	–	–	–	–	(95)	–	2,334	2,239
Transaction with owners									
Share-based payment charge	–	–	159	–	–	–	–	–	159
Equity dividends paid (note 5)	–	–	–	–	–	–	–	(1,426)	(1,426)
Total transactions with owners	–	–	159	–	–	–	–	(1,426)	(1,267)
Balance at 30 June 2015	**21,414**	**46,664**	**307**	**293**	**2,086**	**(273)**	–	**(13,613)**	**56,878**
Year ended 31 December 2015 – audited									
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 income		–	–	–	–	85	–	–	85
Total comprehensive income for the year	–	–	–	–	–	85	–	4,092	4,177
Transaction with owners									
Issue of share capital	125	216	–	–	–	–	–	–	341
Shares owned by the EBT	–	–	–	–	–	–	(338)	–	(338)
Share-based payment charge	–	–	342	–	–	–	–	–	342
Share options settled	–	–	(110)	–	–	–	–	–	(110)
Equity dividends paid (note 5)	–	–	–	–	–	–	–	(2,175)	(2,175)
Total transactions with owners	125	216	232	–	–	–	(338)	(2,175)	(1,940)
Balance at 31 December 2015	**21,539**	**46,880**	**380**	**293**	**2,086**	**(93)**	**(338)**	**(12,604)**	**58,143**
Six months ended 30 June 2016 – unaudited									
Balance at 1 January 2016	21,539	46,880	380	293	2,086	93	(338)	(12,604)	58,143
Profit for the period	–	–	–	–	–	–	–	2,546	2,546
Other comprehensive income	–	–	–	–	–	302	–	–	302
Total comprehensive income for the period	–	–	–	–	–	302	–	2,546	2,848
Transaction with owners									
Share-based payment charge	–	–	149	–	–	–	–	–	149
Equity dividends paid (note 5)	–	–	–	–	–	–	–	(1,499)	(1,499)
Total transactions with owners	–	–	149	–	–	–	–	(1,499)	(1,350)
Balance at 30 June 2016	**21,539**	**46,880**	**529**	**293**	**2,086**	**209**	**(338)**	**(11,557)**	**59,641**

Consolidated Statement of Cash Flows
for the six months ended 30 June 2016

	Note	**Unaudited Six months ended 30 June 2016 £000**	Six months ended 30 June 2015 £000	Audited Year ended 31 December 2015 £000
Cash flow from operating activities				
Net cash from operating activities	9	**188**	1,659	5,943
Cash flow from investing activities				
Acquisition of subsidiary, net of cash acquired		**(3,309)**	(477)	(3,063)
Acquisition of property, plant and equipment		**(353)**	(351)	(750)
Proceeds from sale of property, plant and equipment		**22**	7	7
Payment of deferred consideration		**–**	–	(1,603)
Net cash used in investing activities		**(3,640)**	(821)	(5,409)
Cash flows from financing activities				
Proceeds from new loan		**–**	—	6,523
Repayment of long term borrowings		**–**	(430)	(2,357)
Net change in short term borrowings		**5,000**	(269)	(2,096)
Repayment of finance lease liabilities		**(18)**	(11)	(32)
Cash settled share options		**–**	(12)	(105)
Purchase of own shares		**–**	–	(338)
Interest received		**–**	–	14
Interest paid		**(110)**	(99)	(244)
Dividends paid		**(1,499)**	(1,426)	(2,175)
Net cash generated from/(used in) financing activities		**3,373**	(2,247)	(810)
Net change in cash and cash equivalents		**(79)**	(1,409)	(276)
Cash and cash equivalents at start of period		**1,725**	1,979	1,979
Exchange differences on cash and cash equivalents		**54**	(50)	22
Cash and cash equivalents at end of period		**1,700**	520	1,725
Cash and cash equivalents		**1,711**	784	1,841
Bank overdraft		**(11)**	(264)	(116)
Cash and cash equivalents at end of period		**1,700**	520	1,725

Notes to the Half-Year Report

for the six months ended 30 June 2016

1. General Information

The principal activity of Flowtech Fluidpower plc (the "Company") and its subsidiaries (together, the "Group") is the distribution of engineering components, concentrating on the fluid power industry. The Company is incorporated and domiciled in the UK. The address of its registered office is Pimbo Road, Skelmersdale, Lancashire WN8 9RB. The registered number is 09010518.

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

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

This consolidated Half-Year Report and the financial information for the six months ended 30 June 2016 does not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. This unaudited Half-Year Report was approved by the Board of Directors on 12 September 2016.

The Group's financial statements for the year ended 31 December 2015 have been filed with the Registrar of Companies. The Group's auditor's report on these financial statements was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Electronic Communications

The Company is not proposing to bulk print and distribute hard copies of this Half-Year Report for the six months ended 30 June 2016 unless specifically requested by individual shareholders.

The Board believes that by utilising electronic communication it delivers savings to the Company in terms of administration, printing and postage, and environmental benefits through reduced consumption of paper and inks, as well as speeding up the provision of information to shareholders.

News updates, Regulatory News, and Financial statements, can be viewed and downloaded from the Group's website, www.flowtechfluidpower.com. Copies can also be requested from; The Company Secretary, Flowtech Fluidpower plc, Pimbo Road, Skelmersdale, Lancashire, WN8 9RB. email: info@flowtechfluidpower.com

2. Accounting Policies

Basis of Preparation

The financial information set out in this consolidated Half-Year Report has been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the accounting policies which will be adopted in presenting the Group's Annual Report and Financial Statements for the year ended 31 December 2016. These are consistent with the accounting policies used in the Financial Statements for the year ended 31 December 2015, except for taxes; taxes on income in the interim periods are accrued using the rate of tax that would be applicable to expected total annual earnings.

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 is 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.

Notes to the Half-Year Report continued
for the six months ended 30 June 2016

3. Operating Segments

The Group comprises of the following three operating segments which are defined by geographic area and trading activity:

- **Flowtechnology Division** — distribution and assembly of engineering components, principally to distributors and end users, split geographically between the UK and Europe
- **Power Motion Control Division** — distribution and assembly of engineering components and hydraulic systems to distributors and end users in the international market — based in the UK and Republic of Ireland
- **Process Division** — the distribution of industrial components to the process sectors — based in the West Midlands

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

The Directors believe that the underlying operating profit provides additional useful information on underlying trends to Shareholders. The term "underlying" is not a defined term under IFRS and may not be comparable with similarly titled profit measurements reported by other companies. A reconciliation of the underlying operating result to operating profit/(loss) from continuing operations is shown below. The principal adjustments made are in respect of the separately disclosed items are as detailed at the end of this note. Segment information for the reporting periods is as follows:

	UK £000	Flowtechnology Europe £000	Power Motion Control £000	Process £000	Inter-segmental transactions £000	Central Costs £000	**Total Continuing Operations £000**
Six months ended 30 June 2016							
Income statement – continuing operations:							
Revenue from external customers	16,011	2,082	8,268	1,026	–	–	**27,387**
Inter segment revenue	782	77	327	24	(1,210)	–	**–**
Total revenue	16,793	2,159	8,595	1,050	1,210	–	**27,387**
Underlying operating result	**3,941**	**223**	**930**	**150**	**–**	**(1,185)**	4,059
Net financing costs	(92)	–	(1)	5	–	(135)	**(223)**
Underlying segment result	**3,849**	**223**	**929**	**155**	**–**	**(1,320)**	3,836
Separately disclosed items	(127)	(11)	(27)	(37)	–	(567)	**(769)**
Profit/(loss) before tax	3,722	212	902	118	–	(1,887)	**3,067**
Specific disclosure items							
Depreciation	181	14	55	8	–	–	**258**
Amortisation	6	–	236	22	–	–	**264**
Reconciliation of underlying operating result to operating profit:							
Underlying operating result	**3,941**	**223**	**930**	**150**	**–**	**(1,185)**	4,059
Separately disclosed items	**(127)**	**(11)**	**(27)**	**(37)**	**–**	**(568)**	(769)
Operating profit/(loss)	3,814	212	903	113	–	(1,753)	**3,290**

3. Operating Segments continued

	UK £000	Flowtechnology Europe £000	Power Motion Control £000	Process £000	Inter-segmental transactions £000	Central Costs £000	**Total Continuing Operations £000**
Six months ended 30 June 2015							
Income statement – continuing operations:							
Revenue from external customers	15,617	1,871	3,935	–	–	–	**21,423**
Inter segment revenue	430	42	138	–	(610)	–	**–**
Total revenue	16,047	1,913	4,073	–	(610)	–	**21,423**
Underlying operating result	**3,916**	**170**	**284**	**–**	**–**	**(966)**	**3,404**
Net financing (costs)/income	4	–	–	–	–	(67)	**(63)**
Underlying segment result	**3,920**	**170**	**284**	**–**	**–**	**(1,033)**	**3,341**
Separately disclosed items	(47)	(12)	(172)	–	–	(161)	**(392)**
Profit before tax	3,873	158	112	–	–	(1,194)	**2,949**
Specific disclosure items							
Depreciation	(184)	(13)	(39)	–	–	–	**(236)**
Amortisation	–	–	(160)	–	–	–	**(160)**
Reconciliation of underlying operating result to operating profit:							
Underlying operating result	3,916	170	284	–	–	(966)	**3,404**
Separately disclosed items	(47)	(12)	(172)	–	–	(161)	**(392)**
Operating profit/(loss)	**3,869**	**158**	**112**	**–**	**–**	**(1,127)**	**3,012**

	UK £000	Flowtechnology Europe £000	Power Motion Control £000	Process £000	Inter-segmental transactions £000	Central Costs £000	**Total Continuing Operations £000**
Year ended 31 December 2015							
Income statement – continuing operations:							
Revenue from external customers	29,439	3,729	11,680	–	–	–	**44,848**
Inter segment revenue	860	99	231	–	(1,190)	–	**–**
Total revenue	30,299	3,828	11,911	–	(1,190)	–	**44,848**
Underlying operating result	**7,169**	**402**	**1,228**	**–**	**–**	**(1,931)**	**6,868**
Net financing costs	(65)	–	3	–	–	(149)	**(211)**
Underlying segment result	**7,104**	**402**	**1,231**	**–**	**–**	**(2,080)**	**6,657**
Separately disclosed items	(144)	(22)	(505)	–	–	(706)	**(1,377)**
Profit/(loss) before tax	**6,960**	**380**	**726**	**–**	**–**	**(2,786)**	**5,280**
Specific disclosure items							
Depreciation	389	23	93		–	–	**505**
Amortisation	–	–	413		–	–	**413**
Reconciliation of underlying operating result to operating profit:							
Underlying operating result	7,169	402	1,228	–	–	(1,931)	**6,868**
Separately disclosed items	(144)	(22)	(505)	–	–	(706)	**(1,377)**
Operating profit/(loss)	**7,025**	**380**	**723**	**–**	**–**	**(2,637)**	**5,491**

Notes to the Half-Year Report continued

for the six months ended 30 June 2016

3. Operating Segments continued

Separately Disclosed Items

- Acquisition costs relate to stamp duty, due diligence, legal fees, bank 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 and cover the closure of business units, employee redundancies within these units, continuing property costs post closure and other onerous lease obligations.

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Separately disclosed items within administration expenses:			
— Acquisition costs	**238**	50	299
— Amortisation of acquired intangibles	**264**	160	413
— Share-based payment costs	**149**	172	342
— Restructuring	**118**	10	323
Total separately disclosed items	**769**	392	1,377

4. Taxation

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Current tax on income for the period – continuing operations:			
UK tax	**620**	618	1,231
Foreign tax	**–**	—	3
Deferred tax (credit)/expense	**(45)**	(76)	(101)
Adjustments in respect of prior years	**(54)**	—	(76)
Total taxation	**521**	542	1,057

The taxation for the period has been calculated by applying the estimated tax rate for the financial year ending 31 December 2016. Deferred tax liabilities have also been adjusted to £1,042,000 to reflect capital allowances in excess of depreciation and other short term timing differences.

5. Dividends

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Final dividend of 3.50p (2015: 3.33p) per share	**1,499**	1,426	1,426
Interim dividend of 1.75p per share	**–**	—	749
	1,499	1,426	2,175

In addition, the Directors are proposing a half-year dividend in respect of the financial year ended 31 December 2016 of 1.84p per share which will absorb an estimated £0.8 million of shareholders' funds. It will be paid on the 25 October 2016 to Shareholders who are on the Register of Members on 30 September 2016.

6. Earnings Per Share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

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

	Six months ended 30 June 2016			Six months ended 30 June 2015			Year ended 31 December 2015		
	Earnings £000	**Weighted average number of shares 000's**	**Earnings per share Pence**	Earnings £000	Weighted average number of shares 000's	Earnings per share Pence	Earnings £000	Weighted average number of shares 000's	Earnings per share Pence
Basic earnings/(loss) per share									
Continuing operations	**2,546**	**43,078**	**5.91**	2,407	42,828	5.62	4,223	42,869	9.85
Discontinued operations	**–**	**43,078**	**0.00**	(73)	42,828	(0.17)	(131)	42,869	(0.31)
Basic earnings per share	**2,546**	**43,078**	**5.91**	2,334	42,828	5.45	4,092	42,869	9.54
Diluted earnings/(loss) per share									
Continuing operations	**2,546**	**43,472**	**5.86**	2,407	43,413	5.54	4,223	43,387	9.73
Discontinued operations	**–**	**43,472**	**0.00**	(73)	43,413	(0.17)	(131)	43,387	(0.30)
Diluted earnings per share	**2,546**	**43,472**	**5.86**	2,334	43,413	5.38	4,092	43,387	9.43

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Weighted average number of ordinary shares for basic and diluted earnings per share	**43,078**	42,828	42,869
Impact of share options	**394**	585	518
Weighted average number of ordinary shares for diluted earnings per share	**43,472**	43,413	43,387

7. Acquisitions

7.1. Indequip

On 19 February 2016, the Group acquired 100% of the trade and assets of Indequip, a UK-based business. The acquisition was made to enhance the Group's position in the pneumatic market and bring new customers to the Group. The total consideration was £893,000 was paid in cash.

Goodwill

Goodwill of £345,000 is primarily related to expected future profitability and expected cost synergies. Goodwill has been allocated to the Distribution 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.

Notes to the Half-Year Report continued
for the six months ended 30 June 2016

7. Acquisitions continued
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	–	–	68
Intangible assets	–	–	96	96
Inventories	392	–	–	392
Trade and other receivables	11	–	–	11
Deferred tax liability	–	–	(19)	(19)
Total net assets	**471**	**–**	**77**	**548**

	£000
Fair value of consideration paid	
Amount settled in cash	893
Total consideration	**893**
Less net assets acquired	(548)
Goodwill on acquisition	**345**

7.2. Hydravalve
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 enhance the Group's position in the hydraulic market. The total consideration was £3,814,000. This comprised £2,105,000 in cash and £1,709,000 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 £1,709,000 has been calculated using management forecasts of Hydravalve's Limited's performance discounted at the weighted average cost of capital.

Goodwill
Goodwill of £1,551,000 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.

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	228	–	–	228
Intangible assets	–	–	879	879
Inventories	1,635	–	–	1,635
Trade and other receivables	942	–	–	942
Cash and cash equivalents	(312)	–	–	(312)
Trade and other payables	(605)	–	–	(605)
Finance leases	(71)	–	–	(71)
Current tax balances	(216)	–	–	(216)
Deferred tax liability	(41)	–	(176)	(217)
Total net assets	**1,560**	**–**	**703**	**2,263**

7. Acquisitions continued

	£000
Fair value of consideration paid	
Amount settled in cash	2,105
Fair value of contingent consideration	1,709
Total consideration	**3,814**
Less net assets acquired	(2,263)
Goodwill on acquisition	**1,551**

8. Subsequent events

Triplesix Limited was acquired on 29 July 2016 for a total consideration of £1.1m comprising £0.45m in cash and £0.65m contingent cash consideration. This is a provisional figure subject to the finalisation of the completion accounts. Contingent consideration is based on the profitability of the company post acquisition. The acquisition was made to enhance the Group's position in the hydraulic cylinder market. Included within the net assets of Triplesix Limited was £0.4m of cash retained within the business on acquisition. The cash consideration was funded out of existing cash resources.

The Group will disclose the book value of the identifiable assets and liabilities and their fair values in the 2016 full year 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.

9. Net cash from operating activities

	Six months ended 30 June 2016 £000	Six months ended 30 June 2015 £000	Year ended 31 December 2015 £000
Reconciliation of profit before taxation to net cash flows from operations:			
Profit from continuing operations before tax	**3,067**	2,949	5,280
Loss from discontinued operations before tax	**–**	(73)	(131)
Depreciation	**258**	236	505
Financial income	**–**	(33)	(22)
Financial expense	**223**	96	232
Profit on sale of plant and equipment	**(8)**	–	(7)
Amortisation	**264**	160	413
Equity settled share-based payment charge	**149**	172	342
Operating cash inflow before changes in working capital and provisions	**3,953**	3,507	6,612
Change in trade and other receivables	**(3,696)**	(1,720)	1,628
Change in stocks	**(1,299)**	1,068	(688)
Change in trade and other payables	**1,915**	(499)	(136)
Change in provisions	**(36)**	(48)	(60)
Cash generated from operations	**837**	2,308	7,356
Tax paid	**(649)**	(649)	(1,413)
Net cash generated from operating activities	**188**	1,659	5,943

FLOWTECH
FLUIDPOWER PLC

Registered office
Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

www.flowtechfluidpower.com
Email: info@flowtechfluidpower.com