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If you have sold or otherwise transferred all of your Existing Ordinary Shares prior to the Ex-entitlement Date, please send this document, together with its accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, the distribution of this document and/or any accompanying documents into a jurisdiction other than the United Kingdom may be restricted by law or regulation and therefore such documents should not be distributed, forwarded to or transmitted in or into the United States of America, Canada, Australia, Japan or the Republic of South Africa, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If you have sold or transferred part of your holding of Existing Ordinary Shares prior to the Ex-entitlement Date, you are advised to consult your stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the accompanying Application Form.

The total consideration under the Open Offer shall be less than €5 million (or an equivalent amount) in aggregate and the Firm Placing Shares shall only be available to qualified investors for the purposes of the Prospectus Directive or otherwise in circumstances not resulting in an offer of transferable securities to the public under Section 102B of FSMA. Therefore, in accordance with Section 85 and Schedule 11A of FSMA, this document is not, and is not required to be, a prospectus for the purposes of the Prospectus Rules and has not been prepared in accordance with the Prospectus Rules. Accordingly, this document has not been, and will not be, reviewed or approved by the Financial Conduct Authority of the United Kingdom ("FCA"), pursuant to sections 85 and 87 of FSMA or the London Stock Exchange. In addition, this document does not constitute an admission document drawn up in accordance with the AIM Rules.

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# FLOWGROUP PLC

*(incorporated and registered in England and Wales with Company number 5819555)*

**Firm Placing of 96,308,460 new Ordinary Shares at 16.25 pence per share**

**Subscription of 1,261,540 new Ordinary Shares at 16.25 pence per share**

**Open Offer of up to 12,045,964 new Ordinary Shares at 16.25 pence per share**

## **Notice of General Meeting**

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Cenkos Securities plc, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the matters described in this document. Persons receiving this document should note that Cenkos Securities plc will not be responsible to anyone other than the Company for providing the protections afforded to clients of Cenkos Securities plc or for advising any other person on the arrangements described in this document. Cenkos Securities plc has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Cenkos Securities plc for the accuracy of any information or opinion contained in this document or for the omission of any information.

The Ordinary Shares are currently admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and dealings for normal settlement in the New Ordinary Shares will commence, at 8.00 a.m. on 23 December 2013. The New Ordinary Shares will not be admitted to trading on any other investment exchange. The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (being the FCA acting as competent authority for the purposes of Part V of FSMA) ("UKLA"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List of the UKLA. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List of the UKLA.

**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out in Part 1 of this document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting and to the Risk Factors in Part 2 of this document.**

Notice of a General Meeting of the Company, to be held at the offices of Atticus Legal LLP at Castlefield House, Liverpool Rd, Manchester M3 4SB at 10.00 a.m. on 20 December 2013 is set out at the end of this document.

If you are unable to attend and vote at the General Meeting, a Form of Proxy for use at the meeting is enclosed. To be valid, Forms of Proxy should be completed, signed and returned so as to be received by the Company's Registrars, Neville Registrars Limited, Proxy Department, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, as soon as possible, but in any event so as to be received not later than 48 hours before the time of the General Meeting, being 10.00 a.m. on 18 December 2013. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish. Please refer to the detailed notes contained in the Notice of General Meeting and the Form of Proxy.

The latest time for acceptance and payment under the Open Offer is 11.00 a.m. on 19 December 2013. The procedure for application is set out in Part 3 of this document and the Application Form.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy New Ordinary Shares and/or Open Offer Entitlements to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, the New Ordinary Shares and/or Open Offer Entitlements may not, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The New Ordinary Shares and the Open Offer Entitlements have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan or the Republic of South Africa and they may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Japan or the Republic of South Africa or to any US person (within the definition of Regulation S made under the US Securities Act 1933 (as amended)).

A copy of this document will also be available from the Company's website, [www.Flowgroup.uk.com](http://www.Flowgroup.uk.com).

This document contains (or may contain) certain forward-looking statements with respect to the Company and certain of its goals and expectations relating to its future financial condition and performance which involve a number of risks and uncertainties. No forward-looking statement is a guarantee of future performance and actual results could differ materially from those contained in any forward-looking statements. Such forward-looking statements may use words such as "aim", "anticipate", "target", "expect", "estimate", "plan", "goal", "believe", "will", "may", "should", and other words having a similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of changes in interest rates and foreign exchange rates, changes in legislation, changes in consumer habits and other factors outside the control of the Company, that may cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. All forward-looking statements contained in this document are based upon information available to the Directors at the date of this document and the posting or receipt of the document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Firm Placing Subscription and Open Offer, publication and posting of this document, the Application Form and Form of Proxy	4 December 2013
Record Date for the Open Offer	5.00 p.m. on 3 December 2013
Ex-entitlement Date	4 December 2013
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders	5 December 2013
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 12 December 2013
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 16 December 2013
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 17 December 2013
Latest time and date for receipt of completed Forms of Proxy to be valid at the General Meeting	10.00 a.m. on 18 December 2013
<b>Latest time and date for acceptance of the Open Offer and receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (if appropriate)</b>	<b>11.00 a.m. on 19 December 2013</b>
General Meeting	10.00 a.m. on 20 December 2013
Announcement of result of General Meeting and Open Offer	20 December 2013
Admission and commencement of dealings in the New Ordinary Shares on AIM	8.00 a.m. on 23 December 2013
New Ordinary Shares credited to CREST members' accounts	23 December 2013
Despatch of definitive share certificates in certificated form	by 10 January 2014

**If any of the details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.**

**Certain of the events in the above timetable are conditional upon, amongst other things, the approval of the Resolutions to be proposed at the General Meeting.**

**All references are to London time unless stated otherwise.**

## KEY STATISTICS

### FIRM PLACING AND SUBSCRIPTION STATISTICS

Number of Existing Ordinary Shares	132,505,606
Number of Firm Placing Shares	96,308,460
Number of Subscription Shares	1,261,540
Offer Price	16.25 pence
Number of Ordinary Shares in issue immediately following the Firm Placing and Subscription	230,075,606
Gross proceeds from the Firm Placing and Subscription	£15,855,125
Market capitalisation of the Company immediately following the Firm Placing and Subscription at the Offer Price <sup>1</sup>	£37.4 million

### OPEN OFFER STATISTICS

Number of Offer Shares	up to 12,045,964
Offer Price	16.25 pence
Basis of the Open Offer	1 New Ordinary Share for every 11 Existing Ordinary Shares
Gross proceeds from the Open Offer*	up to £1,957,469
Enlarged issued share capital following the Firm Placing, Subscription and Open Offer*	up to 242,121,570
New Ordinary Shares as a percentage of the Enlarged Share Capital*	up to 45.27%
Market capitalisation of the Company immediately following the Firm Placing, Subscription and Open Offer at the Offer Price*	£39.3 million

<sup>1</sup> excluding the Open Offer

\* on the assumption that the Open Offer is fully subscribed

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

<b>“Act”</b>	Companies Act 2006 (as amended)
<b>“Admission”</b>	the admission of the New Ordinary Shares to trading on AIM
<b>“AIM”</b>	the AIM market operated by London Stock Exchange
<b>“AIM Rules for Companies”</b>	the AIM Rules for Companies and guidance notes as published by the London Stock Exchange from time to time
<b>“Application Form”</b>	the non-CREST Application Form
<b>“Board” or “Directors”</b>	the directors of the Company as at the date of this document
<b>“Business Day”</b>	a day other than a Saturday or Sunday or public holiday in England
<b>“Cenkos Securities”</b>	Cenkos Securities plc
<b>“Company” or “Flowgroup”</b>	Flowgroup plc
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations)
<b>“CREST Manual”</b>	the CREST Manual issued by Euroclear
<b>“CREST member”</b>	a person who has been admitted to CREST as a system-member (as defined in the CREST Manual)
<b>“CREST member account ID”</b>	the identification code or number attached to a member account in CREST
<b>“CREST participant”</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
<b>“CREST participant ID”</b>	shall have the meaning given in the CREST Manual
<b>“CREST payment”</b>	shall have the meaning given in the CREST Manual
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>“CREST sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>“CREST sponsored member”</b>	a CREST member admitted to CREST as a sponsored member
<b>“EIS”</b>	Enterprise Investment Scheme
<b>“Enlarged Share Capital”</b>	the entire issued share capital of the Company following completion of the Firm Placing, Subscription and Open Offer
<b>“EU”</b>	the European Union
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited
<b>“Excess Application Facility”</b>	the arrangement pursuant to which Qualifying Shareholders may apply for additional Offer Shares in excess of their Open Offer Entitlement in accordance with the terms and conditions of the Open Offer
<b>“Excess CREST Open Offer Entitlements”</b>	in respect of each Qualifying CREST Shareholder, the entitlement (in addition to his Open Offer Entitlement) to apply for excess Offer Shares pursuant to the Excess Application Facility, which is conditional on him taking up his Open Offer Entitlement in full
<b>“Excess Shares”</b>	Offer Shares applied for by Qualifying Shareholders under the Excess Application Facility
<b>“Ex-entitlement Date”</b>	the date on which the Existing Ordinary Shares are marked “ex” for entitlement under the Open Offer, being 4 December 2013
<b>“Existing Ordinary Shares”</b>	the 132,505,606 Ordinary Shares in issue on the date of this document

<b>“FCA”</b>	the Financial Conduct Authority of the UK
<b>“Firm Placees”</b>	subscribers for Firm Placing Shares
<b>“Firm Placing”</b>	the conditional placing by the Company of the Firm Placing Shares with certain investors and existing Shareholders (or their associated investment vehicles), otherwise than on a pre-emptive basis, at the Offer Price
<b>“Firm Placing and Open Offer Agreement”</b>	the agreement entered into between the Company and Cenkos Securities in respect of the Firm Placing and Open Offer
<b>“Firm Placing Shares”</b>	the 96,308,460 Ordinary Shares the subject of the Firm Placing
<b>“Form of Proxy”</b>	the form of proxy for use in relation to the General Meeting enclosed with this document
<b>“FSMA”</b>	Financial Services and Markets Act 2000 (as amended)
<b>“General Meeting”</b>	the General Meeting of the Company, convened for 10.00 a.m. on 20 December 2013 or at any adjournment thereof, notice of which is set out at the end of this document
<b>“Group”</b>	the Company and its subsidiaries
<b>“HMRC”</b>	Her Majesty’s Revenue and Customs
<b>“ITA 2007”</b>	Income Taxes Act 2007
<b>“London Stock Exchange”</b>	London Stock Exchange Group plc
<b>“Money Laundering Regulations”</b>	Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993 and the Proceeds of Crime Act 2002
<b>“Neville Registrars” or “Registrars”</b>	Neville Registrars Limited, registrars to Flowgroup and, receiving agents to the Open Offer
<b>“New Ordinary Shares”</b>	the Firm Placing Shares, the Subscription Shares and the Offer Shares
<b>“Notice of General Meeting”</b>	the notice convening the General Meeting as set out herein
<b>“Offer Price”</b>	16.25 pence per New Ordinary Share
<b>“Offer Shares”</b>	the 12,045,964 Ordinary Shares being made available to Qualifying Shareholders pursuant to the Open Offer
<b>“Open Offer”</b>	the conditional invitation made to Qualifying Shareholders to apply to subscribe for the Offer Shares at the Offer Price on the terms and subject to the conditions set out in Part 3 of this document and, where relevant, in the Application Form
<b>“Open Offer Entitlement”</b>	the entitlement of Qualifying Shareholders to subscribe for Offer Shares allocated to Qualifying Shareholders on the Record Date pursuant to the Open Offer
<b>“Ordinary Shares”</b>	ordinary shares of 5p each in the capital of the Company
<b>“Overseas Shareholders”</b>	a Shareholder with a registered address outside the United Kingdom
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders holding Existing Ordinary Shares in a CREST account
<b>“Qualifying non-CREST Shareholders”</b>	Qualifying Shareholders holding Existing Ordinary Shares in certificated form
<b>“Qualifying Shareholders”</b>	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date (but excluding any Overseas Shareholder who has a registered address in the United States of America or any other Restricted Jurisdiction)

<b>“Record Date”</b>	5.00 p.m. on 3 December 2013 in respect of the entitlements of Qualifying Shareholders under the Open Offer
<b>“Regulatory Information Service”</b>	has the meaning given in the AIM Rules for Companies
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting as set out in the Notice of General Meeting
<b>“Restricted Jurisdiction”</b>	United States of America, Canada, Australia, New Zealand, Japan and the Republic of South Africa and any other jurisdiction where the extension or availability of the Firm Placing and Open Offer would breach any applicable law
<b>“Securities Act”</b>	US Securities Act of 1933 (as amended)
<b>“Shareholders”</b>	the holders of Existing Ordinary Shares
<b>“Subscription”</b>	the conditional subscription by Henry Cialone, David Grundy, Clare Spottiswoode, Anthony Stiff and certain senior management of the Group for the Subscription Shares pursuant to the terms of the Subscription Agreements
<b>“Subscription Agreements”</b>	the agreements entered into by between the Company and each of Henry Cialone, David Grundy, Clare Spottiswoode, Anthony Stiff and certain senior management in respect of the Subscription
<b>“Subscription Shares”</b>	the 1,261,540 Ordinary Shares the subject of the Subscription
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“United States”, “United States of America” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all areas subject to its jurisdiction
<b>“VCT”</b>	Venture Capital Trust
<b>“VCT Placing Shares”</b>	those 17,795,000 Firm Placing Shares which should qualify as VCT/EIS investments

PART 1

LETTER FROM THE CHAIRMAN

**FLOWGROUP PLC**

(Incorporated and registered in England and Wales under the Companies Act 1985 with company number 5819555 )

*Directors:*

Clare Mary Spottiswoode (Executive Chairman)  
Anthony David Stiff (Chief Executive Officer)  
Henry Joseph Cialone (Non-Executive Director)  
David Kenneth Grundy (Non-Executive Director)  
John Joseph Johnston (Non-Executive Director)

*Registered Office:*

Castlefield House  
Liverpool Road  
Castlefield  
Manchester  
M3 4SB

4 December 2013

Dear Shareholder

**Firm Placing of 96,308,460 new Ordinary Shares at 16.25 pence per share**  
**Subscription of 1,261,540 new Ordinary Shares at 16.25 pence per share**  
**Open Offer of up to 12,045,964 new Ordinary Shares at 16.25 pence per share**  
**Notice of General Meeting**

**1. Introduction**

The Board has today announced that it has entered into an exclusive manufacturing services agreement with Jabil Circuit Inc. ("**Jabil**"), one of the world's leading manufacturing solutions companies, under which Jabil has agreed to provide manufacturing services, a loan of up to £2.5 million, funding manufacturing and, supply chain working capital and access to Jabil's extensive development services to produce up to 390,000 Flow boilers. At the same time the Board is pleased to announce a conditional Firm Placing of 96,308,460 new Ordinary Shares at 16.25 pence each to raise £15,650,125 before expenses by means of a placing by Cenkos Securities and that Henry Cialone, David Grundy, Clare Spottiswoode, Anthony Stiff and certain senior management have agreed to subscribe for an aggregate of 1,261,540 new Ordinary Shares at 16.25 pence each to raise £205,000. John Johnston has agreed to subscribe for 553,844 new Ordinary Shares under the Firm Placing.

In addition, in order to provide Shareholders who have not taken part in the Firm Placing with an opportunity to participate in the proposed issue of new Ordinary Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe at the Offer Price for an aggregate of 12,045,964 Offer Shares, to raise up to £1,957,469, on the basis of 1 new Ordinary Shares for every 11 Existing Ordinary Shares, at 16.25 pence each, payable in full on acceptance.

The Open Offer provides Qualifying Shareholders with an opportunity to participate in the proposed issue of the Offer Shares on a pre-emptive basis whilst providing the Company with additional capital to invest in the business of the Group.

The Offer Price is at a discount of 2.23 per cent. to the closing middle market price of 16.62 pence per Existing Ordinary Share on 3 December 2013 (being the last practicable date before publication of this document).

The Firm Placing Subscription and Open Offer are conditional, amongst other things, on the passing of the Resolutions by Shareholders at the General Meeting, notice of which is set out at the end of this document. If the Resolutions are passed, the New Ordinary Shares will be allotted after the General Meeting. Admission is expected to occur no later than 8.00 a.m. on 23 December 2013 or such later time and/or dates as Cenkos Securities and the Company may agree. The Firm Placing, Subscription and Open Offer are not underwritten.

The purpose of this document is to explain the background to the Firm Placing and Open Offer, to set out the reasons why your Board believes that the Firm Placing, Subscription and Open Offer are in the best interests of the Company and its Shareholders and to seek your approval to the Resolutions at the



forthcoming General Meeting, which will be held at the offices of Atticus Legal LLP at Castlefield House, Liverpool Road, Castlefield, Manchester M3 4SB on 20 December 2013 at 10.00 a.m.

## **2. Reasons for the Firm Placing, Subscription and Open Offer**

### **Introduction**

The Group continues to implement its strategy, announced last year, to deliver a large-scale energy services business, called Flow, which is based upon the proposition of providing customers with a new microgeneration gas boiler, which produces electricity, at no cost up front apart from installation, in return for the customers buying their gas and electricity from Flow for an agreed period.

### **Significant achievements**

The Group launched its planned energy-only proposition in April 2013 through Flow Energy. The launch was successful, with Flow Energy registering approximately 50,000 customer accounts in six months. This enabled the Group to gain brand exposure, test the Group's systems and train personnel in preparation for the launch of the Flow boiler and energy package proposition in H2 2014.

In order to provide installation experience and additional reliability and generation data before launch in H2 2014, the Flow microgeneration boiler, developed by Flow Products, is now entering its domestic pilot following product testing in the laboratory. 120 Flow boilers of production standard are targeted to be installed in customer homes starting in December 2013. This domestic pilot scheme aims to identify any issues associated with installation and the use of the Flow boiler in the home environment. The marketing campaign to secure these 120 pilot customers attracted over 4,500 responses, illustrating what the Directors consider is a strong and positive consumer reaction to the domestic pilot programme.

In addition to the development of the Flow boiler and energy business, the Group has been developing its compressed air backup power business, Flow Battery. Flow Battery's technology gained type approval from National Grid in October 2011 and was recently awarded a framework agreement from National Grid to replace conventional lead-acid batteries in National Grid substations in England and Wales. The framework agreement is for an initial three year period which can be extended by up to two additional years. There are roughly 300 National Grid substations in England and Wales, which incorporate approximately 3,200 backup power battery systems. Under the agreement Flow Battery may be asked to tender for the replacement of conventional lead-acid batteries in the National Grid sub-stations.

### **Manufacturing Agreement**

One of the key goals for the Group in 2013 was to put in place a volume manufacturing contract for the Flow microgeneration boiler. Accordingly, we are delighted to announce that the Group has entered into an exclusive manufacturing services agreement with Jabil, one of the world's leading manufacturing partners. Jabil has 175,000 employees across 33 countries and generated \$18.3 billion revenue in the financial year 2013 manufacturing for many major corporates including Cisco, HP, Emerson and Apple. We believe that this manufacturing deal, with a company of Jabil's size and experience, will secure the capability to produce the Flow boiler at the high volumes, with the high quality and at the unit cost that the Group's growth strategy requires.

Subject to the terms of the manufacturing services agreement, Jabil will manufacture up to 390,000 Flow boilers in the UK, funding production working capital. Jabil will provide a 2 year manufacturer warranty on the boiler. Jabil will assist Flowgroup with the ongoing design of an economical and effective supply chain as well logistics and other support for international expansion in due course. Flowgroup also has the option to draw down a loan of up to £2.5 million (which is conditional on Admission) until 31 December 2014, which is secured on the Group's Flow boiler intellectual property on an insolvency event, with a coupon of 9.5 % per annum. Repayments commence 1 October 2015. The Directors do not envisage drawing down on the loan.

Jabil undertook a significant due diligence exercise using both external experts and their internal specialists, exploring the Flow boiler's technical performance, the Group's supply chain and business model. We believe the positive outcome represents confidence in the Group and the Flow boiler.

We are particularly pleased that Jabil will manufacture the Flow boiler in its entirety, including the microCHP power module in the UK. This allows the Flow boiler to be marketed as a UK designed and manufactured product.

## **Energy as a 21st century business**

The Group has developed a microCHP (micro combined heat and power) appliance, the Flow boiler. This is a gas fired domestic boiler that generates electricity at the same time as it uses gas to heat a home, at less than 36% of the cost of electricity from the grid. Our innovative business model allows a customer to receive a Flow boiler at no cost up front except for installation. In return, the customer agrees to receive their gas and electricity supply from Flow for five years. Although the customer pays for all the gas and electricity they use in these five years at the normal tariff rate, some of this electricity is being generated by the Flow boiler and is therefore not being purchased by the Group. The saving to the Group plus the Feed in Tariff payments that the generated electricity attracts for the first 30,000 installations, allows the cost of the boiler to be repaid. The cost of the boiler is initially met by a finance agreement registered in the customer's name. However, the repayments that the customer makes every month are matched by credits to the customer's energy account, effectively allowing the boiler to pay for itself.

We expect that the cost of the boiler in volume production will reduce to a level that is significantly less than the value of the electricity a Flow boiler will generate in average conditions over five years. This additional margin will supplement the supplier margin of providing gas and electricity to the customer as usual. Other opportunities include a one off margin on the sale of the boiler (the difference between the cost of the boiler and the sale through the credit agreement), margin on installation (microgeneration boiler installations attract VAT at only 5%) and margin on annual service.

At the end of the credit agreement, provided the homeowner remains a Flow customer, Flow expects to be able to share the generation margin and the Feed in Tariff with the homeowner.

We believe that this arrangement, in totality, will allow Flow to attract long term energy customers at significantly higher margins than a traditional energy supply business.

## **Microgeneration technology comes of age**

The key generation component of the Flow boiler is the scroll, which acts as a mini generator to produce electricity. The rise of hybrid and electric cars and the consequent technological advances have meant that scrolls used for air-conditioning have become available to the Group at a fraction of their previous £6,000 price tag. Combined with the use of common refrigeration parts, this has allowed our engineers to produce the first low cost microgeneration boiler. The technological solutions they have employed to achieve this are protected by worldwide patents.

## **Market conditions**

The UK boiler market is large with approximately 1.6 million boilers replaced each year and, although it is mature, sales of gas and LPG boilers experienced strong growth in 2013. We believe that, by bringing a microgeneration boiler to the market, one which conforms to the parameters of a typical household boiler (similar size, wall-hung), and providing it at no upfront cost apart from installation, the Group has a product and a customer offer that can attract the numbers of customers required to build a large-scale energy services business.

We believe that the market conditions for the launch of the Flow boiler are extremely good. The benefits of the Flow boiler closely match the goals of energy policy and the demands of consumers. The Flow boiler reduces household emissions by up to 1,000kg of CO<sub>2</sub> annually, assisting the country in meeting its emissions reductions targets and helping consumers to be greener. Its capacity to reduce energy bills long term saves consumers money and supports governmental and societal aims to offset the rising cost of energy. Since the Flow boiler produces most electricity when it is using most gas, in the cold winter months at times of peak electricity demand, it helps meet peak demand, assisting in solving a growing problem. More generally, the Flow boiler empowers consumers to actively participate in the energy market, engaging them with an industry that we believe they currently feel alienated by. Since the cost of a boiler replacement is one of the largest emergency bills a household can face, and the current economic climate is uncertain, providing the boiler with no up front cost apart from installation fits well with general consumer focus on personal finances.

As the Flow boiler provides a broad range of benefits, and since it is a UK designed, developed and manufactured product, we expect it to receive support from government, industry, green organisations and consumers.

Our target market is defined primarily by a household's level of gas consumption. A particular level of gas consumption is required for the Flow boiler to generate 1,800kWh of electricity annually, the amount

needed to achieve payback of the cost of the Flow boiler within the five year timescale. Independent testing has demonstrated that this level of generation can be achieved or exceeded in at least 6.9 million homes in Great Britain. Each year approximately 7% of homes need a replacement boiler, indicating an accessible market in Great Britain of at least 480,000 per annum.

In addition to the 1.6 million boiler replacements each year, many of which are breakdowns, there is also a large potential market of 5-6 million customers who still have working but old and inefficient boilers with energy ratings of F-G. We intend to target this market as well, looking to convert these customers into Flow customers with the lever of a highly efficient microgeneration boiler that pays for itself.

The worldwide boiler market also presents significant opportunities for expansion. For example, approximately 9 million gas boilers are replaced each year across Europe. Calor, the supplier of LPG gas to off-mains properties, and with whom the Group now has a strategic relationship, presents an additional opportunity for the Group. Calor will, in collaboration with Flow, offer the Flow boiler to new and existing customers as part of its own energy and boiler proposition.

### **Flow Battery**

Flow Battery targets very different markets but ones in which we can see good opportunities for growth. Flow Battery's award-winning compressed air backup power systems can be used in substations in Grids around the world. Flow Battery has recently been awarded a framework agreement from National Grid to replace conventional lead-acid batteries in National Grid substations in England and Wales. National Grid has approximately 3,200 battery systems across roughly 300 substations and this agreement has the potential to provide a strong revenue stream to the Group. We are pleased to note that Flow Battery was awarded the highest overall score in the tender process, providing a significant endorsement of the technology.

Flow Battery's flagship installation in the Co-operative Financial Services datacentre provides an illustration of the application of Flow Battery's technology to the datacentre market as well, which is a large and growing opportunity.

### **Launch and success of the energy services business**

Following successful completion of the Controlled Market Entry phase, we launched our energy supply business under the name Flow Energy on 2 April 2013. Due to the level of customer response and lower than expected acquisition costs, Flow Energy surpassed its original business plan target of 36,000 customer accounts and took on approximately 50,000 customer accounts in six months. In line with the Group's business plan, Flow Energy then withdrew its tariff to new customers to concentrate on servicing its existing customers and preparing for the launch of the Flow boiler in H2 2014.

Flow Energy's customers are now generating over £2.6m revenue a month. Entry into the market also allowed its systems and processes to be proven at volume in the live environment, as well as providing important brand exposure. In addition, Flow Energy has entered into wholesale trading arrangements with Dong, EDF and Morgan Stanley and joined the APX market (Amsterdam Power Exchange), which brings access to short term liquidity. All the systems, processes and arrangements for energy supply are now in place for planned expansion in 2014.

The database of existing Flow Energy customers provides a core of potential boiler customers to target following launch of the Flow boiler. Since the Flow boiler proposition is competitive and relevant, this campaign will be supplemented by PR, social, viral and word-of-mouth campaigns, all of which come at little cost, in order to keep our cost-per-acquisition for boiler customers as low as possible. Flow Energy has already received significant media coverage via the BBC, The Times and Sunday Times, The Guardian and The Daily Mail.

### **The Flow boiler pilot**

The Flow Products team, which developed the Flow boiler, has now moved from the development phase to commercialisation. 175 units, of which 100 will be used for the domestic pilot of the boiler, are currently being manufactured in the UK. Calor are taking a further 20 units and will be part of this pilot programme. The first unit was installed in November 2013 and the pilot will run for 12 months from December 2013 and continuing post launch.

As well as providing important reliability and generation data, conducting a pilot of this size allows the Group to test and refine its surveying and installation procedures and its marketing messages before launch.

Response to the marketing campaign to identify 100 candidates for the domestic pilot has been strong. Since mid-June, over 4,500 people have expressed an interest in being involved in the pilot. A range of homes has been chosen, including some smaller homes, to test the possibility of installing the Flow boiler in homes of that size, thereby widening still further the target market, and to provide the broadest range of data. The installations will, over the course of the 12 months, operate in a combination of heat-and-power and heat only modes. To underpin the credibility of the pilot data, it has been agreed that the pilot will be ratified by the Energy Savings Trust (EST), one of the UK's leading energy efficiency information sources. The data collected during the pilot will assist the Group with ensuring that the full production unit, to be manufactured in H2 2014 by Jabil, will perform to its full capability.

### **Product development**

To add to the market potential of the existing Flow boiler, the Flow Products team is creating a detailed product development roadmap for the next five years. As well as designing additional models for the UK market (larger heat output, a combination boiler version, cascade operation) to expand the potential number of homes the Flow boiler can be installed in, the roadmap will also include plans for expansion into international markets.

### **Expanded installation capability**

The Company has engaged, or is in talks with, a range of companies to provide installation and after care services. We intend that this broad range of agreements will provide the flexibility the Company requires as it grows. The Company has a long-standing arrangement in place with Carillion Energy Services, which has a proven track record of delivering high volume projects across Great Britain. Calor will also provide installation and after care services and the Group will benefit from Calor's significant infrastructure and reputation for excellent customer service. In addition to these agreements, the Company is also in negotiations with another contractor offering national coverage as well as smaller organisations offering local solutions.

### **Milestones**

The Group's key milestones are clear:

- December 2013 – launch the 12 month domestic pilot of the boiler;
- H1 2014 – deliver a detailed product roadmap including the combi version specification;
- H2 2014 – complete technology transfer to Jabil and achieve full production capability. Gain full accreditation (CE and MCS) and move to volume production; and
- H2 2014 - begin customer sales

### **3. Use of proceeds**

The funds raised through the Firm Placing, Subscription and Open Offer will be used for the continuing commercial development of the energy services business through to Flow boiler sales and cashflow generation. In particular the funds will be applied to:

- continue volume product optimisation;
- continue domestic pilot phase;
- transfer technology to Jabil for manufacturing;
- set up sales, servicing and installation infrastructure for volume launch in H2 2014;
- create combination boiler and cascade operation prototypes to extend market reach; and
- fund set up costs for Flow Battery framework agreement with National Grid.

### **4. Principal terms of the Firm Placing and Subscription**

The Company has conditionally raised £15,650,125 before expenses by the Firm Placing of 96,308,460 new Ordinary Shares at the Offer Price to the Firm Placees.

The Firm Placing is conditional, inter alia, upon:

- (i) the passing of all of the Resolutions;
- (ii) the Firm Placing and Open Offer Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and

- (iii) Admission becoming effective by no later than 8.00 a.m. on 23 December 2013 or such later time and/or date (being no later than 8.00 a.m. on 31 January 2014) as Cenkos Securities and the Company may agree.

If any of the conditions are not satisfied, the Firm Placing Shares will not be issued and all monies received from the Firm Placees will be returned to them (at the Firm Placees' risk and without interest) as soon as possible thereafter.

The Firm Placing Shares are not subject to clawback and are not part of or subject to any condition related to the Open Offer.

The Firm Placing Shares (the Subscription Shares and the Offer Shares) will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

The Subscription is conditional on Admission. Under the Subscription Agreements Henry Cialone, David Grundy, Clare Spottiswoode, and Anthony Stiff together with certain members of senior management have agreed to subscribe for the Subscription Shares.

Application will be made to the London Stock Exchange in respect of Admission of the Firm Placing Shares and the Subscription Shares to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 23 December 2013 at which time it is also expected that the Firm Placing Shares and the Subscription Shares will be enabled for settlement in CREST.

### **Related Party**

The participation of Aviva plc ("Aviva") in the Placing constitutes a related party transaction under the AIM Rules for Companies by virtue of Aviva being a substantial shareholder in the Company and that Aviva's participation in the Placing represents more than 5% of the market capitalisation of the Company as of this date. The Directors consider, having consulted with Cenkos Securities, its nominated adviser, that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

### **5. Directors' participation in the Firm Placing and Subscription**

The following Director, John Johnston, has agreed to subscribe for 553,844 Firm Placing Shares at the Offer Price. Henry Cialone, Clare Spottiswoode, David Grundy and Anthony Stiff have agreed to subscribe for 1,138,460 Subscription Shares at the Offer Price. The respective holdings of the Directors following the Firm Placing, Subscription and Open Offer are described in paragraph 3 of Part 5.

### **6. Principal Terms of the Open Offer**

The Company is proposing to raise up to approximately £17.8 million before expenses through the issue of up to 109,615,964 New Ordinary Shares, of which approximately £15.9 million has been conditionally raised from the Firm Placing and Subscription. The balance of up to £1,957,469 may be raised from the Open Offer.

A total of 12,045,964 new Ordinary Shares are available to Qualifying Shareholders pursuant to the Open Offer at the Offer Price, payable in full on acceptance. Any Offer Shares not subscribed for by Qualifying Shareholders will be available to Qualifying Shareholders under the Excess Application Facility.

Qualifying Shareholders may apply for Offer Shares under the Open Offer at the Offer Price on the following basis:

#### **1 Offer Share for every 11 Existing Ordinary Shares**

and so in proportion for any number of Existing Ordinary Shares held on the Record Date. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. Fractional entitlements which would otherwise arise will not be issued to the Qualifying Shareholders but will be made available under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement. Not all Shareholders will be Qualifying Shareholders. Shareholders who are located in, or are citizens of, or have a registered office in certain overseas jurisdictions will not qualify to participate in the Open Offer. The attention of Overseas Shareholders is drawn to paragraph 6 of Part 3 of this document.

Valid applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements as shown on the Application Form. Applicants can apply for less or more than their entitlements under the Open Offer but the Company cannot guarantee that any application for Excess Shares under the Excess Application Facility will be satisfied as this will depend in part on the extent to which other Qualifying Shareholders apply for less than or more than their own Open Offer Entitlements. The Company may satisfy valid applications for Excess Shares of applicants in whole or in part but reserves the right not to satisfy any excess above any Open Offer Entitlement. The Board may scale back applications made in excess of Open Offer Entitlements on such basis as it reasonably considers to be appropriate.

Application has been made for the Open Offer Entitlements to be admitted to CREST. It is expected that such Open Offer Entitlements will be credited to CREST on 5 December 2013. The Open Offer Entitlements will be enabled for settlement in CREST until 11.00 a.m. on 19 December 2013. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of bona fide market claims. The Offer Shares must be paid in full on application. The latest time and date for receipt of completed Application Forms or CREST application and payment in respect of the Open Offer is 11.00 a.m. on 19 December 2013. The Open Offer is not being made to certain Overseas Shareholders, as set out in paragraph 6 of Part 3 of this document.

**Qualifying Shareholders should note that the Open Offer is not a rights issue and therefore the Offer Shares which are not applied for by Qualifying Shareholders will not be sold in the market for the benefit of the Qualifying Shareholders who do not apply under the Open Offer. The Application Form is not a document of title and cannot be traded or otherwise transferred.**

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part 3 of this document and on the accompanying Application Form.

The Open Offer is conditional on the Firm Placing becoming or being declared unconditional in all respects and not being terminated before Admission. The principal conditions to the Firm Placing are:

- (i) the passing of all of the Resolutions;
- (ii) the Firm Placing and Open Offer Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and
- (iii) Admission becoming effective by no later than 8.00 a.m. on 23 December 2013 or such later time and/or date (being no later than 8.00 a.m. on 31 January 2014) as Cenkos Securities and the Company may agree.

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and the Offer Shares will not be issued and all monies received by Neville Registrars will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

The Offer Shares (the Firm Placing Shares and the Subscription Shares) will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the admission of the Offer Shares to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 23 December 2013 at which time it is also expected that the Offer Shares will be enabled for settlement in CREST.

## **7. Enterprise Investment Scheme and Venture Capital Trusts**

On issue, the New Ordinary Shares will not be treated as either "listed" or "quoted" securities for relevant tax purposes.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

The Directors believe that the VCT Placing Shares should be eligible (subject to the circumstances of investors) for tax reliefs under EIS and for investment by VCTs. The Company has received advance assurance from HMRC, based on information provided, that: (i) following receipt of a properly completed form EIS 1, they will be able to authorise the Company to issue certificates under section 204(1) Income Tax Act 2007 in respect of the VCT Placing Shares; (ii) the New Ordinary Shares will be eligible shares

for the purpose of section 285(3A) of the Income Tax Act 2007 and may be part of a qualifying holding for the purposes of Chapter 4 of Part 6 of the Income Tax Act 2007; and (iii) the proposed utilisation of funds raised will constitute satisfactory employment for the purposes of section 293 of the Income Tax Act 2007 and the placing of those funds raised on deposit account pending eventual use within the business will not jeopardise the Group's qualifying status.

In order to ensure the VCT Placing Shares qualify with the relevant requirements of EIS and VCT legislation, it is necessary to ensure that the VCT Placing Shares are issued prior to the remainder of the New Ordinary Shares. Accordingly, it is expected that the VCT Placing Shares will be allotted and issued at 5.30 p.m. on 20 December 2013 and the remaining New Ordinary Shares will be allotted and issued at 7.00 a.m. on 23 December 2013. It is expected that Admission of all New Ordinary Shares will occur at 8.00 a.m. on 23 December 2013.

Although the Company currently expects to satisfy the relevant conditions for EIS and VCT investment, and the Directors are not aware of any subsequent change in the qualifying conditions or the Company's circumstances that would prevent the VCT Placing Shares from being eligible EIS and VCT investments on this occasion, neither the Directors nor the Company give any warranty or undertaking that relief will be available in respect of any investment in the VCT Placing Shares pursuant to this document, nor do they warrant or undertake that the Company will conduct its activities in a way that qualifies for or preserves its status.

Companies can raise up to £5 million from State Aid investment sources, including under the combined EIS and from VCTs, in any 12 month period. In order to comply with this restriction only a certain number of the Firm Placing Shares, which are allocated as VCT Placing Shares, will be able to claim EIS or VCT relief.

As the rules governing EIS and VCT reliefs are complex and interrelated with other legislation, if Shareholders or any potential investors are in any doubt as to their tax position, require more detailed information than the general outline above, or are subject to tax in a jurisdiction other than the United Kingdom, they should consult their professional adviser.

## **8. Overseas Shareholders**

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Existing Ordinary Shares for the benefit of such persons, (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document or the Application Form to such persons, is drawn to the information which appears in paragraph 6 of Part 3 of this document.

In particular, Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK (including without limitation the United States of America), should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements under the Open Offer.

## **9. Risk Factors and Additional Information**

The attention of Shareholders is drawn to the risk factors set out in Part 2 and the information contained in Parts 3, 4 and 5 of this document, which provide additional information on the Open Offer, the Firm Placing and Flowgroup.

## **10. General Meeting**

The Directors do not currently have authority to allot all of the New Ordinary Shares and, accordingly, the Board is seeking the approval of Shareholders to allot the New Ordinary Shares at the General Meeting.

A notice convening the General Meeting, which is to be held at the offices of Atticus legal LLP at Castlefield House, Liverpool Road, Castlefield, Manchester, M3 4SB at 10.00 a.m. on 20 December 2013, is set out in this document. At the General Meeting, the following Resolutions will be proposed:

- Resolution 1, which is an ordinary resolution to authorise the Directors to allot relevant securities up to an aggregate nominal amount of £5,480,798.20, being equal to 109,615,964 New Ordinary Shares (i.e. the maximum number of New Ordinary Shares available under the Firm Placing Subscription and Open Offer); and
- Resolution 2, which is conditional on the passing of Resolution 1 and is a special resolution to authorise the Directors to issue and allot 109,615,964 New Ordinary Shares pursuant to the Firm Placing Subscription and Open Offer on a non-pre-emptive basis.

The authorities to be granted pursuant to the Resolutions shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2014 or the date falling 15 months from the date of the passing of the Resolutions (unless renewed varied or revoked by the Company prior to or on that date) and shall be in addition to the Directors' authorities to allot relevant securities and dis-apply statutory pre-emption rights granted at the Company's Annual General Meeting held in 2013.

## **11. Action to be taken**

### **In respect of the General Meeting**

You will find enclosed with this document a Form of Proxy for use by Shareholders at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon. To be valid, completed Forms of Proxy must be received by Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible and in any event not later than 10.00 a.m. on 18 December 2013, being 48 hours before the time appointed for holding the General Meeting. Completion of a Form of Proxy will not preclude you from attending the meeting and voting in person if you so choose.

### **In respect of the Open Offer**

Qualifying non-CREST Shareholders wishing to apply for Offer Shares or the Excess Shares must complete the enclosed Application Form in accordance with the instructions set out in paragraph 3.1 of Part 3 of this document and on the accompanying Application Form and return it with the appropriate payment to Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, so as to arrive no later than 11.00 a.m. on 19 December 2013.

If you do not wish to apply for any Offer Shares under the Open Offer, you should not complete or return the Application Form. Shareholders are nevertheless requested to complete and return the Form of Proxy.

If you are a Qualifying CREST Shareholder, no Application Form will be sent to you. Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST. You should refer to the procedure for application set out in paragraph 3.2 of Part 3 "Terms and Conditions of the Open Offer" of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 3.2 of Part 3 "Terms and Conditions of the Open Offer" of this document by no later than 11.00 a.m. on 19 December 2013.

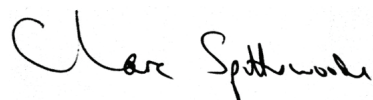
Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

## **12. Undertakings**

Flowgroup has received irrevocable undertakings to vote in favour of the Resolutions from the Directors who hold, in aggregate, 1,457,207 Existing Ordinary Shares, representing 1.1 per cent. of the Existing Ordinary Shares, as at 3 December 2013 (being the last practicable date before publication of this document).

## **13. Recommendation**

The Directors believe that the Firm Placing, Subscription and Open Offer and the passing of the Resolutions are in the best interests of the Company and Shareholders, taken as a whole. The Directors unanimously recommend Shareholders vote in favour of the Resolutions.



Clare Spottiswoode  
*Executive Chairman*

4 December 2013



## PART 2

### RISK FACTORS

An investment in the Offer Shares or the Firm Placing Shares involves a degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in the New Ordinary Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. The investment referred to in this document may not be suitable for all of its recipients. Before making an investment decision, prospective investors should consult a person authorised under the FSMA who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

#### 1. Risks relating to the Company and its business

##### **Business strategy may change**

The future success of the Company will depend on the Directors' ability to continue to implement effectively its business strategy. In particular, the pursuit of that strategy may be affected by changes in social and demographic factors, customer acceptance of the boiler proposition or by changes in the competitive environment in the markets in which the Group currently operates or expects to operate. If such changes were to materialise the Directors may decide to change certain aspects of the Group's strategy. This might entail the development of alternative products and services, which would place additional strain on the Company's capital resources and may adversely impact on the revenues and profitability of the Group.

##### **Dependence on key executives and personnel**

The Group's future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. The Directors cannot give assurances that members of the senior management team and the executive Directors will continue to remain within the Group or that new positions will be filled as required for ongoing operations. The loss of the services of any of the Directors, members of senior management or other key employees could have a material adverse effect upon the Group's business and results of operations. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

##### **Management of growth**

The ability of the Group to implement its strategy requires effective planning and management control systems. The Group's growth strategy may place a significant strain on its management and operational, financial and personnel resource. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth. The Group's objectives may not be fulfilled. The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. There can be no guarantee that the Company will achieve the level of success that the Board expects.

##### **Trading risks**

There is a risk that if all or a significant part of the Group's business fails to achieve expectations in terms of sales, costs or cashflows, the proposed investment programme may need to be reduced or curtailed accordingly, despite the funding from the Firm Placing and the Open Offer.

### **Competition risks**

There is a risk that larger, more highly capitalised competitors may pose a threat to the Company's ability to win new business or to maintain its current client base. Competitors with greater resources, financial and/or technological, may win business which the Company might expect to retain or receive.

### **Economic, political, judicial, administrative, taxation or other regulatory factors**

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors (including the availability of subsidies such as the Feed in Tariff), in the areas in which the Group operates and conducts its principal activities, which are currently in the UK.

### **Maintenance of EIS/VCT relief**

Based on information provided to them, HMRC have confirmed that the Company is a qualifying company under the EIS and that shares in the Company can form a qualifying holding by VCTs. Provided that an investor and the Company comply with the EIS and VCT legislation, which for EIS investors includes a requirement that the Ordinary Shares are held by investors for three years, such investors should qualify for EIS tax relief on their investments in the Company. The Directors intend to manage the Company so as to maintain the status of the Company and its shares as a qualifying company for EIS purposes and as a qualifying VCT investment, however, there is no certainty that they can continue to do so. It is unlikely that the Offer Shares will qualify for EIS or VCT relief.

### **Taxation risk**

Any change in the Company's tax status or in taxation legislation or its interpretation, could affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change.

### **Pre cashflow positive**

Investment in the Company should be regarded as high risk given its current stage of development. If the Company experiences delays in meeting its volume development goals or if the Company's products exhibit technical defects or if the Company cannot meet sales, cost or performance targets, the Company's commercialisation plans will be delayed, with the result that it will take longer for the Company to be cashflow positive from operations.

### **Sales and installation**

The Company's strategy is to market its boiler through a "boiler that pays for itself" offer and to outsource the installation and service of its Flow microCHP product. For this strategy to be effective the Company needs to select and train service partners who have the necessary capability, resources and motivation in order to properly install and service the Company's products. A delay by these service partners in installing the Company's products will have a negative impact on the Company's finances.

### **Manufacturing expansion**

To support the Company's commercialisation strategy, the Company needs to manufacture its Flow Boiler and Power Module in commercial quantities, in compliance with regulatory requirements and at an acceptable cost. There is no guarantee that the Company's manufacturing partner, Jabil, in conjunction with approved component suppliers can scale up its manufacturing processes as quickly or efficiently as it plans to, nor that, if it fails to, the Company will be easily able to replace Jabil with an alternative manufacturer(s).

Furthermore there is no guarantee that the Company will be able to renew the manufacturing agreement on favourable terms or at all. In addition should Jabil in the future encounter financial difficulties resulting in it being unable to fulfil its obligations under the manufacturing agreement or if it decides to terminate the manufacturing agreement, or should the developing relationship between the Company and Jabil deteriorate for any reason and break down, in each case this could have a material adverse effect on the financial condition of the Company and/or on its ability to deliver its business plan.

### **Core technology**

The Company's future revenues are highly dependent upon products based on the Organic Rankine Cycle technology. There is no guarantee that the Company will be able to manufacture products that have reliability, robustness and lifetime performance sufficient to meet the requirements of residential customers.

### **Dependence on suppliers**

The Company depends on a small number of suppliers to provide key inputs to enable the Company's manufacturing partners to assemble its Flow microCHP boiler and compressed air batteries. These suppliers may not be able to develop and supply inputs to meet the Company's requirements for quality, quantity, lead time and cost. If the inputs provided by these suppliers are specialised or proprietary, the Company may be unable to obtain substitutes, which may prevent or delay the Company from successfully manufacturing or delivering the Company's products.

### **Energy supply business**

The Company has built a model that relies on having an energy supply business. If the Company were to lose its Ofgem licence to supply electricity and/or gas or if the Company could not obtain the necessary energy trading agreements then the Company would find it difficult to execute its strategy of providing the boiler offer which may cause a reduction in revenue and profitability and have a material adverse effect on the business of the Group.

### **Boiler that pays for itself**

The Company's strategy includes offering the boiler to consumers with associated financing. This relies on having access to capital to fund the sales price of the Flow microCHP boilers. This could be through the provision of Consumer Credit, Asset Finance or other financial agreements. The Company cannot guarantee that these will be in place before the volume roll-out of its boiler proposition. If there is a failure to obtain funding then the Company may not be able to execute its business plan which may result in the Company requiring further funds from Shareholders.

### **Power Module**

The Company's business model includes a variety of sales channels, including provision of a gas boiler to the customer where the customer obtains ownership of this boiler on installation. The Company plans to retain ownership and control of the power module within the boiler. There is a risk that although the power module is removable and the boiler will work without the power module functioning or being in place the Company could fail to retain ownership and control. This would result in the business model being changed which may adversely impact on the revenues and profitability of the Group.

### **Product liability**

The Company's technology may contain undetected defects which could harm the Company's reputation, result in loss of customers and revenues, and expose it to product liability claims. Whilst the Company is conducting tests (and will continue to conduct tests) to predict the overall life of its products, the Company has not yet operated its products over an extended period of time. Therefore there is a risk that the Company's products do not last as long as predicted, or perform according to specifications, which would result in warranty claims and additional costs to the Company. In order to make sales, the Company needs to achieve and maintain appropriate product safety and regulatory approvals (for instance, CE approval in Europe and MCS approval in the UK). A decision by a relevant body to withdraw or impose additional conditions on product accreditation would have a negative impact on the Company's ability to implement the model and ultimately on sales.

### **Intellectual property**

The Company relies on a combination of patents, trade secrets, trademarks, copyright and licences, together with non-disclosure and confidentiality agreements, to establish and protect its proprietary rights in its technologies. If the Company is unable to adequately protect its intellectual property rights or becomes subject to a claim of infringement, its business may be materially adversely affected.

### **Flow Battery**

Having secured a National Grid framework agreement Flow Battery's revenues are dependent on the value and quantity of orders received in competition with their framework providers. There is no guarantee any such orders will be forthcoming.

### **Exchange rates**

A large proportion of the Company's expenses are likely to be derived from parts sourced overseas. The Company does not currently have hedge arrangements to reduce currency risk. As a result, the Company's financial results could be subject to the effects of exchange rate fluctuations.

### **Legislative and regulatory changes**

The Company's technology or products based on its technology may not comply with environmental laws or energy regulations in all countries of the world. Any imposition of liability that is not covered by the Group's insurance or is in excess of the Company's insurance coverage could have a material adverse effect on the Company's image, business, financial condition and results of operations. No assurance can be given that the Company will be able to obtain any necessary licence required in the future or that future changes in laws or government policies affecting the Company's technology or products will not have a material adverse effect on the Company's business, financial condition and results of operations.

### **Profitability and commercialisation**

No representations or assurances as to future profitability or dividends can be given by the Company, since these elements are dependent on the future success of the development programs currently being undertaken.

### **Insurance**

The Company plans to insure its operations in accordance with industry practice and plans to insure the risks it considers appropriate for the Group's needs and for its circumstances. Insurance cover may not be available for every risk faced by the Company. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Group.

### **Litigation**

The Group may be party to litigation in the course of its business. Any litigation, by the Group or against it, could be costly and lengthy and there can be no assurance that the Group will prevail. Litigation could also involve a significant diversion of resources and management attention and be disruptive to normal business operations.

### **Reputational risk**

The Group's reputation amongst its customers and suppliers is believed to be fundamental to the future success of the Group. Failure to meet expectations in terms of the services provided by the Group or the way the Group does business could have a material negative impact on the Group's performance.

### **Information technology risk**

The Group is dependent on its billing and customer management software for the successful operation of its business model. This software is developed and maintained in accordance with the changing needs of the business by both the internal information technology team and the software suppliers under the terms of maintenance agreements. Any failure of the software provided to the Group with a resultant impact on customer service could have a material negative impact on the Group's performance.

### **Risk relating to the revised regulatory regime**

As a result of the Ofgem Retail Market Review, the regulatory regime relating to the supply of electricity and gas is being changed significantly. It is difficult to anticipate how the new regime will operate in practice and what action the Group's competitors will take and, in particular, how they will set the limited number of tariffs available to each of them. Accordingly, the Group's competitive position may be affected either positively or negatively and if the effect is negative, it may adversely affect the Group's financial position.

## **2. Risk factors associated with the New Ordinary Shares**

**It may be difficult to realise an investment on AIM. The market price of the Ordinary Shares may fluctuate widely in response to different factors.**

The New Ordinary Shares will be quoted on AIM rather than the Official List of the United Kingdom Listing Authority. The AIM Rules for Companies are less demanding than those of the Official List of the United Kingdom Listing Authority and an investment in a share that is traded on AIM may carry a higher risk than an investment in shares listed on the Official List of the United Kingdom Listing Authority. The share price of publicly traded companies can be highly volatile. It may be more difficult for an investor to realise his or her investment in the Company than to realise an investment in a company whose shares or other securities are listed on the Official List or other similar stock exchange. Shares held on AIM are

perceived to involve higher risks. AIM has been in existence since 1995 and is a market designed for small and growing companies but its future success and liquidity as a market for the Ordinary Shares cannot be guaranteed.

The price at which the Ordinary Shares are traded and the price at which investors may realise their investment are influenced by a large number of factors, some specific to the Company and its operations and some which may affect quoted companies generally. Admission to AIM does not imply that there will be a liquid market for the Ordinary Shares. Consequently, the price of Ordinary Shares may be subject to fluctuation on small volumes of shares, and the Ordinary Shares may be difficult to sell at a particular price.

**If a Shareholder does not take up his entitlement under the Open Offer, his interest in the Company will be diluted. A Shareholder's proportionate ownership and voting interest in the Company will be reduced pursuant to the Firm Placing and Subscription. In addition, to the extent that Shareholders do not take up their entitlement of Offer Shares, their proportionate ownership and voting interest in the Company will be further reduced.**

## PART 3

### TERMS AND CONDITIONS OF THE OPEN OFFER

#### Introduction

As explained in the letter from the Chairman set out in Part 1 of this document, the Company is proposing to raise up to approximately £17.8 million by way of the Firm Placing Subscription and Open Offer, of which up to approximately £2.0 million will be raised from the offer of the Offer Shares at the Offer Price to Qualifying Shareholders under the Open Offer.

The purpose of this Part 3 is to set out the terms and conditions of the Open Offer. Up to 12,045,964 new Ordinary Shares will be issued through the Open Offer. Qualifying Shareholders are being offered the right to subscribe for Offer Shares in accordance with the terms of the Open Offer. The Open Offer has not been underwritten.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying non-CREST Shareholders is expected to be 5.00 p.m. on 3 December 2013. Application Forms are expected to be posted to Qualifying non-CREST Shareholders on or around 4 December 2013 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 5 December 2013.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders to apply for Excess Shares. Further details in relation to the Excess Application Facility are set out in Part 4 "Questions and Answers about the Open Offer" in this document and, for Qualifying non-CREST Shareholders, the Application Form.

The latest time and date for receipt of a completed Application Form and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 19 December 2013 with Admission and commencement of dealings in Offer Shares expected to take place at 8.00 a.m. on 23 December 2013.

This document and, for Qualifying non-CREST Shareholders only, the Application Form contains the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 3 of this Part 3 "Terms and Conditions of the Open Offer" which gives details of the procedure for application and payment for the Offer Shares and any Excess Shares applied for pursuant to the Excess Application Facility.

The Offer Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

The Open Offer is an opportunity for Qualifying Shareholders to apply for up to 12,045,964 Offer Shares pro rata (excepting fractional entitlements) to their current holdings at the Offer Price in accordance with the terms of the Open Offer.

Qualifying Shareholders are also being offered the opportunity to apply for additional Offer Shares in excess of their Open Offer Entitlement to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlement in full. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Ordinary Shares prior to the Ex-entitlement Date is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Offer Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

## 1. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity under the Open Offer to subscribe for Offer Shares at the Offer Price pro rata to their holdings, payable in full on application. The Offer Price represents a discount of 2.23 per cent. to the closing middle market price of 16.62 pence per Existing Ordinary Share on 3 December 2013 (being the last practicable date before publication of this document).

Qualifying Shareholders have basic entitlements of:

### 1 Offer Share for every 11 Existing Ordinary Shares

registered in their name on the Record Date. Entitlements under the Open Offer will be rounded down to the nearest whole number of Offer Shares, with fractional entitlements being aggregated and made available under the Excess Application Facility.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.

If you are a Qualifying non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 6) and your Open Offer Entitlements (in Box 7).

If you are a Qualifying CREST Shareholder, application will be made for your Open Offer Entitlement and Excess CREST Open Offer Entitlement to be credited to your CREST account. Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts on 5 December 2013. The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Subject to availability, the Excess Application Facility will enable Qualifying Shareholders, provided they have taken up their Open Offer Entitlement in full, to apply for further Offer Shares in excess of their Open Offer Entitlement. Further details in relation to the Excess Application Facility are set out in Part 4 "Questions and Answers about the Open Offer" and, for Qualifying non-CREST Shareholders, the Application Form. Qualifying CREST Shareholders will have their Open Offer Entitlement and Excess CREST Open Offer Entitlement credited to their stock accounts in CREST and should refer to paragraph 3.2 of this Part 3 "Terms and Conditions of the Open Offer" for information on the relevant CREST procedures and further details on the Excess Application Facility. Qualifying CREST Shareholders can also refer to the CREST Manual for further information on the relevant CREST procedures.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, such applications may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in or at all.

Please refer to paragraphs 3.1(f) and 3.2(k) of this Part 3 "Terms and Conditions of the Open Offer" for further details of the Excess Application Facility.

**Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying non-CREST Shareholders should also note that their respective Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited through CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claims Processing Unit. Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer. Any Offer Shares which are not applied for by Qualifying Shareholders under the Open Offer will not be issued by the Company as the Open Offer is not underwritten.**

**The attention of Overseas Shareholders is drawn to paragraph 6 of this Part 3.**

The Offer Shares will when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of this document and otherwise pari passu in all respects with the

Existing Ordinary Shares. The Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

## **2. Conditions and further terms of the Open Offer**

The Open Offer is conditional on the Firm Placing becoming or being declared unconditional in all respects and not being terminated before Admission. The principal conditions to the Firm Placing are:

- (i) the passing of all of the Resolutions;
- (ii) the Firm Placing and Open Offer Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and
- (iii) Admission becoming effective by no later than 8.00 a.m. on 23 December 2013 or such later time and/or date (being no later than 8.00 a.m. on 31 January 2014) as Cenkos Securities and the Company may agree.

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and the Offer Shares will not be issued and all monies received by Neville Registrars will be returned to the applicants (at the applicants' risk and without interest) as soon as possible thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

The Offer Shares (and the Firm Placing Shares and the Subscription Shares) will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

No temporary documents of title will be issued in respect of Offer Shares held in uncertificated form. Definitive certificates in respect of Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Offer Shares in certificated form by 10 January 2014.

In respect of those Qualifying Shareholders who have validly elected to hold their Offer Shares in uncertificated form, the Offer Shares are expected to be credited to their stock accounts maintained in CREST by 23 December 2013.

Application will be made to the London Stock Exchange for the admission of the Offer Shares to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 23 December 2013 at which time it is also expected that the Offer Shares will be enabled for settlement in CREST.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will notify the London Stock Exchange and make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

## **3. Procedure for application and payment**

The action to be taken by you in respect of the Open Offer depends on whether, at the relevant time, you are sent an Application Form in respect of your Open Offer Entitlement under the Open Offer or your Open Offer Entitlement and Excess CREST Open Offer Entitlement is credited to your CREST stock account.

Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in certificated form will receive the Application Form, enclosed with this document. The Application Form shows the number of Existing Ordinary Shares held at the Record Date. It will also show Qualifying Shareholders their Open Offer Entitlement that can be allotted in certificated form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted Offer Shares in CREST.



Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Offer Shares in uncertificated form to the extent that their entitlement to Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 3.2(f) of this Part 3 “Terms and Conditions of the Open Offer”.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

**Qualifying Shareholders who do not want to apply for the Offer Shares under the Open Offer should take no action and should not complete or return the Application Form, or send a USE message through CREST.**

**3.1 If you have an Application Form in respect of your Open Offer Entitlement under the Open Offer**

(a) *General*

Subject to paragraph 6 of Part 3 “Terms and Conditions of the Open Offer” in relation to Overseas Shareholders, Qualifying non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 6. It also shows the Open Offer Entitlement allocated to them set out in Box 7. Entitlements to Offer Shares are rounded down to the nearest whole number and any fractional entitlements to Offer Shares will be aggregated and made available under the Excess Application Facility. Box 8 shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying non-CREST Shareholders may also hold such an Application Form by virtue of a bona fide market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying non-CREST Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement at the Record Date. The Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying non-CREST Shareholders.

(b) *bona fide market claims*

Applications to acquire Offer Shares may only be made on the Application Form and may only be made by the Qualifying non-CREST Shareholder named in it or by a person entitled by virtue of a bona fide market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy bona fide market claims up to 3.00 p.m. on 17 December 2013. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should contact his broker or other professional adviser authorised under FSMA through whom the sale or purchase was effected as soon as possible, as the invitation to acquire Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser(s) or transferee(s).

Qualifying non-CREST Shareholders who have sold all or part of their registered holding should, if the market claim is to be settled outside CREST, complete Box 12 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer

was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into the United States of America, any other Restricted Jurisdiction, nor in or into any other jurisdiction where the extension of the Open Offer would breach any applicable law or regulation. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 3.2 below.

(c) *Application procedures*

Qualifying non-CREST Shareholders wishing to apply to acquire Offer Shares (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it. Qualifying non-CREST Shareholders may only apply for Excess Shares if they have agreed to take up their Open Offer Entitlements in full. The Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying non-CREST Shareholders will be met in full or in part or at all.

Completed Application Forms should be posted to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, or returned by hand (during normal business hours only) so as to be received by Neville Registrars by no later than 11.00 a.m. on 19 December 2013. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid. The Company further reserves the right (but shall not be obliged) to accept either Application Forms or remittances received after 11.00 a.m. on 19 December 2013. Qualifying non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. Multiple applications will not be accepted. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 19 December 2013; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 19 December 2013 from authorised persons (as defined in FSMA) specifying the Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

All documents and remittances sent by post by, to, from or on behalf of an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk.

(d) *Payments*

All payments must be in pounds sterling and made by cheque or banker's draft made payable to Neville Registrars Limited RE: Flowgroup PLC and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to confirm that the relevant Qualifying Shareholder has title to the underlying funds. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Neville Registrars to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity (and withhold

definitive share certificates (or crediting to the relevant member account, as applicable) pending clearance thereof). No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. If the Open Offer does not become unconditional, no Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Open Offer.

If Offer Shares have already been allotted to a Qualifying non-CREST Shareholder and such Qualifying non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, Neville Registrars shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying non-CREST Shareholder's Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of Neville Registrars, Cenkos Securities or the Company nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying non-CREST Shareholders.

(e) *Incorrect Sums*

If an Application Form encloses a payment for an incorrect sum, the Company through Registrars reserves the right:

- (i) to reject the application in full and return the cheque or banker's draft or refund the payment to the Qualifying non-CREST Shareholder in question; or
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the Qualifying non-CREST Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the Offer Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying non-CREST Shareholder in question, save that any sums of less than £1 will be retained for the benefit of the Company.

All monies received by Neville Registrars in respect of Offer Shares will be held in a separate account.

(f) *The Excess Application Facility*

Provided they choose to take up their Open Offer Entitlement in full, the Excess Application Facility enables a Qualifying non-CREST Shareholder to apply for Excess Shares. Qualifying non-CREST Shareholders wishing to apply for Excess Shares may do so by completing Box 3 of the Application Form.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Qualifying non-CREST Shareholders who wish to apply for Excess Shares must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for Offer Shares exceed 12,045,964 Offer Shares, resulting in a scale back of applications, each Qualifying non-CREST Shareholder who has made a valid application for Excess Shares and from whom payment in full for the Excess Shares has been received will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for but not allocated to the relevant Qualifying non-CREST Shareholder multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

(g) *Effect of application*

All documents and remittances sent by post by, to, from, or on behalf of or to an applicant (or as the applicant may direct) will be sent entirely at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (i) represents and warrants to the Company and Cenkos Securities that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and Cenkos Securities that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;
- (iii) confirms to the Company and Cenkos Securities that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Company contained in this document (including information incorporated by reference);
- (iv) represents and warrants to the Company and Cenkos Securities that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlement;
- (v) represents and warrants to the Company and Cenkos Securities that if he has received some or all of his Open Offer Entitlement from a person other than the Company he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a bona fide market claim;
- (vi) requests that the Offer Shares, to which he will become entitled to have issued to him on the terms set out in this document and the Application Form;
- (vii) represents and warrants to the Company and Cenkos Securities that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States of America, any Restricted Jurisdiction or any other jurisdiction in which the application for Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Offer Shares which are the subject of his application to a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States of America, any Restricted Jurisdiction or any other jurisdiction in which the application for Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that application in the United States or to, or for the benefit of, a person who he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Offer Shares under the Open Offer;
- (viii) represents and warrants to the Company and Cenkos Securities that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
- (ix) confirms that in making the application he is not relying and has not relied on the Company or Cenkos Securities or any person affiliated with the Company or Cenkos Securities in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, or you can contact them on 0121 585 1131. Calls to the helpline number are typically charged at your service provider's standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note Neville Registrars cannot provide advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or give any financial, legal or tax advice.

(h) *Proxy*

Qualifying non-CREST Shareholders who do not want to take up or apply for the Offer Shares under the Open Offer should take no action and should not complete or return the Application Form. However, you are encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy.

A Qualifying non-CREST Shareholder who is also a CREST member may elect to receive the Offer Shares to which he is entitled in uncertificated form in CREST. Please see paragraph 3.2(f) below for more information.

**3.2 If you have an Open Offer Entitlement and an Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer**

(a) *General*

Subject to paragraph 6 of Part 3 "Terms and Conditions of the Open Offer" in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlement equal to the maximum number of Offer Shares for which he is entitled to apply under the Open Offer plus the number of Excess Shares for which he is entitled to apply under the Excess CREST Open Offer Entitlement. Entitlements to Offer Shares will be rounded down to the nearest whole number and any Open Offer Entitlements have therefore also been rounded down. Any fractional entitlements to Open Offer Shares arising will be aggregated and made available under the Excess Application Facility.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 5.00 p.m. on 5 December 2013, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement and Excess CREST Open Offer Entitlement which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive an Application Form.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares and their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Neville Registrars on 0121 585 1131. Calls to the helpline number are typically charged at your service provider's standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that Neville Registrars cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or to apply for Excess CREST Open Offer Entitlements. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

Each of the Open Offer Entitlements and Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and Excess CREST Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *Unmatched Stock Event (“USE”) instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Offer Shares in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Neville Registrars under the participant ID and member account ID specified below, with a number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of Neville Registrars in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Offer Shares referred to in paragraph 3.2(c)(i) above.

(d) *Content of USE instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Neville Registrars);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00BG6LBF05;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Neville Registrars in its capacity as a CREST receiving agent. This is 7RA11;
- (vi) the member account ID of Neville Registrars in its capacity as a CREST receiving agent. This is FLOW;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 19 December 2013; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 19 December 2013. In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 19 December 2013 in order to be valid is 11.00 a.m. on that day. In the event that the Firm Placing Subscription and Open Offer do not become unconditional by 8.00 a.m. on 23 December 2013 (or such later time and date as the Company and Cenkos Securities determine being no later than 8.00 a.m. on 31 January 2014), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Neville Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(e) *Content of USE instruction in respect of Excess CREST Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Excess Shares for which application is being made (and hence being delivered to Neville Registrars);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BGP6SG64;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of Neville Registrars in its capacity as a CREST receiving agent. This is 7RA11;
- (vi) the member account ID of Neville Registrars in its capacity as a CREST receiving agent. This is FLOW;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 19 December 2013; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 19 December 2013.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contract name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 19 December 2013 in order to be valid is 11.00 a.m. on that day.

In the event that the Firm Placing Subscription and Open Offer do not become unconditional by 8.00 a.m. on 23 December 2013 (or such later time and date as the Company and Cenkos Securities determine being no later than 8.00 a.m. on 31 January 2014), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Neville Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

(f) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a bona fide market claim), provided that such Qualifying non-CREST

Shareholder is also a CREST member. Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 December 2013. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by Neville Registrars.

In particular, having regard to normal processing times in CREST and on the part of Neville Registrars, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 16 December 2013 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 12 December 2013 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility, as the case may be, prior to 11.00 a.m. on 19 December 2013.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Neville Registrars by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for depositing entitlements under the Open Offer into CREST" on page 2 of the Application Form, and a declaration to the Company and Neville Registrars from the relevant CREST member(s) that it/they is/are not in the United States or citizen(s) or resident(s) of any Restricted Jurisdiction or any other jurisdiction in which the application for New Ordinary Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.

(g) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 19 December 2013 will constitute a valid application under the Open Offer.

(h) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 19 December 2013. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(i) *Proxy*

If a Qualifying CREST Shareholder does not wish to apply for the Offer Shares under the Open Offer, they should take no action. They are however, encouraged to vote at the General Meeting.



(j) *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through Neville Registrars, reserves the right: (i) to reject the application in full and refund the payment to the CREST member in question (without interest); (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the CREST member in question (without interest); and (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Offer Shares referred to in the USE instruction, refunding any unutilised sum to the CREST member in question (without interest).

(k) *The Excess Application Facility*

The Excess Application Facility enables Qualifying CREST Shareholders, who have taken up their Open Offer Entitlement in full, to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Excess CREST Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part 3 in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with Excess CREST Open Offer Entitlements to enable applications for Excess Shares to be settled through CREST. Qualifying CREST Shareholders should note that, although the Open Offer Entitlement and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities. Neither the Open Offer Entitlement nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a bona fide market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more bona fide market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that an additional USE instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Should the Open Offer become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed 12,045,964 Offer Shares, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application pursuant to his Excess CREST Open Offer Entitlement and from whom payment in full for the excess Offer Shares has been received, will receive a pounds sterling amount equal to the number of Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable following the completion of the scale back, without payment of interest and at the applicant’s sole risk by way of cheque or CREST payment, as appropriate. Fractions of Offer Shares will be aggregated and made available under the Excess Application Facility.

All enquiries in connection with the procedure for applications under the Excess Application Facility and your Excess CREST Open Offer Entitlement should be addressed to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. Neville Registrars can be contacted on 0121 585 1131. Calls to the helpline number are typically charged at your service provider’s standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note Neville Registrars cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements.

(l) *Effect of valid application*

A CREST member who makes or is treated as making a valid application for some or all of his pro rata entitlement to the Offer Shares in accordance with the above procedures thereby:

- (i) represents and warrants to the Company and Cenkos Securities that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Neville Registrars' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees with the Company and Cenkos Securities that all applications under the Open Offer and contracts resulting therefrom, and only non-contractual obligations related thereto, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms to the Company and Cenkos Securities that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information in relation to the Company contained in this document (including information incorporated by reference);
- (v) represents and warrants to the Company and Cenkos Securities that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements;
- (vi) represents and warrants to the Company and Cenkos Securities that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a bona fide market claim;
- (vii) requests that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the memorandum of association and articles of association of the Company from time to time;
- (viii) represents and warrants to the Company and Cenkos Securities that he is not, nor is he applying on behalf of any Shareholder who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any other jurisdiction in which the application for Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Offer Shares which are the subject of his application in the United States or to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any other jurisdiction in which the application for Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Offer Shares under the Open Offer;
- (ix) represents and warrants that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and

- (x) confirms that in making the application he is not relying and has not relied on Cenkos Securities or any person affiliated with the Company or Cenkos Securities in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

(m) *Company's discretion as to the rejection and validity of applications*

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 3 "Terms and Conditions of the Open Offer";
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Neville Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Neville Registrars has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Neville Registrars in connection with CREST.

(n) *Lapse of the Open Offer*

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 23 December 2013 or such later time and date as the Company and Cenkos Securities may agree (being no later than 8.00 a.m. on 31 January 2014), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Neville Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

#### **4. Money Laundering Regulations**

##### **4.1 Holders of Application Forms**

To ensure compliance with the Money Laundering Regulations, Neville Registrars may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Neville Registrars. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the "acceptor"), including any person who appears to Neville Registrars to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Offer Shares as is referred to therein (for the purposes of this paragraph 4 the "relevant Offer Shares") shall thereby be deemed to agree to provide Neville Registrars with such information and other evidence as they may require to satisfy the verification of identity requirements.

If Neville Registrars determines that the verification of identity requirements apply to any acceptor or application, the relevant Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. Neville Registrars is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither Neville Registrars nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, Neville Registrars has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, Neville Registrars, and Cenkos Securities from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC));
- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (iv) if the aggregate subscription price for the Offer Shares is less than €5,000 (approximately £13,000).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to "Neville Registrars Limited RE: Flowgroup PLC" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Application Form; or
- (b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force, the agent should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Neville Registrars. If the agent is not such an organisation, it should contact Neville Registrars Limited at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact Neville Registrars on 0121 585 1131. Calls to the helpline number are typically charged at your service provider's standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note Neville Registrars cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement.

If the Application Form(s) is/are in respect of Offer Shares with an aggregate subscription price of £13,000 or more and is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 19 December 2013, Neville Registrars has not received evidence satisfactory to it as aforesaid, Neville Registrars may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the payee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

#### **4.2 Open Offer Entitlements in CREST**

If you hold your Open Offer Entitlement and Excess CREST Open Offer Entitlement in CREST and apply for Offer Shares in respect of some or all of your Open Offer Entitlement and Excess CREST Open Offer Entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Neville Registrars is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Neville Registrars before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to Neville Registrars such information as may be specified by Neville Registrars as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Neville Registrars as to identity, who may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

### **5 Admission, settlement and dealings**

The result of the Open Offer is expected to be announced on 20 December 2013. Applications will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. Subject to the Firm Placing and Open Offer becoming unconditional in all respects (save only as to Admission), it is expected that Admission will become effective and that dealings in the Offer Shares, fully paid, will commence at 8.00 a.m. on 23 December 2013.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 19 December 2013 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, New Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company.

On 23 December 2013, Neville Registrars will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Offer Shares with effect from Admission. The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given. Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown

of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Neville Registrars in connection with CREST.

No temporary documents of title will be issued and, transfers will be certified against the UK share register of the Company. All documents or remittances sent by, to, from or on behalf of applicants, or as they may direct, will (in the latter case) be sent through the post and will (in both cases) be at the risk of the applicant. For more information as to the procedure for application, Qualifying non-CREST Shareholders are referred to paragraph 3.1 above and their respective Application Form.

## **6. Overseas Shareholders**

The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

### **6.1 General**

**The distribution of this document and the making or acceptance of the Open Offer to or by persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of those persons who should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Offer Shares under the Open Offer.**

No action has been or will be taken by the Company, Cenkos Securities, or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in whose jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or any other Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, Cenkos Securities, nor any of their respective representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Offer Shares in respect of the Open Offer unless the Company and Cenkos Securities determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 3 "Terms and Conditions of the Open Offer" and specifically the contents of this paragraph 6.

The Company reserves the right to treat as invalid any application or purported application for Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched from the United States or any other Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any other jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Offer Shares or in the case of a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in the United States or a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

Notwithstanding any other provision of this document or the relevant Application Form, the Company and Cenkos Securities reserve the right to permit any person to apply for Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Offer Shares should note that payment must be made in sterling denominated cheques or banker's drafts or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST. Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements. No public offer of Offer Shares is being made by virtue of this document or the Application Forms into the United States or any other Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

## **6.2 United States**

The New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any new Ordinary Shares in the United States. Subject to certain exceptions, neither this document nor an Application Form will be sent to, and no new Ordinary Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring new Ordinary Shares and wishing to hold such new Ordinary Shares in registered form must provide an address for registration of the new Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires new Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the new Ordinary Shares, that they are not, and that at the time of acquiring the new Ordinary Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of new Ordinary Shares, or which does not make the warranty set out in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the new Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such new Ordinary Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

The Company will not be bound to allot or issue any new Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any new Ordinary Shares may be transferred. In addition, the Company and Cenkos Securities reserve the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the new Ordinary Shares. In addition, until 45 days after the commencement of the Open Offer, an offer, sale or transfer of the new Ordinary Shares within the United States by a dealer (whether or not participating in the Placing and Open Offer) may violate the registration requirements of the Securities Act.

### **6.3 Restricted Jurisdictions**

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements or Excess CREST Open Offer Entitlements. The Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer or invitation to apply for Offer Shares is being made by virtue of this document or the Application Form into any Restricted Jurisdiction.

### **6.4 Other overseas territories**

Application Forms will be sent to Qualifying non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or any other Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United



Kingdom should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Offer Shares in respect of the Open Offer.

## **6.5 Representations and warranties relating to Overseas Shareholders**

### *(a) Qualifying non-CREST Shareholders*

Any person completing and returning an Application Form or requesting registration of the Offer Shares comprised therein represents and warrants to the Company, and Cenkos Securities and Neville Registrars that, except where proof has been provided to the Company's satisfaction that such person's use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Offer Shares from within the United States or any other Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Offer Shares with a view to offer, sale, resale, transfer, deliver or distribute, directly or indirectly, any such Offer Shares into any of the above territories. The Company and/or Neville Registrars may treat as invalid any acceptance or purported acceptance of the allotment of Offer Shares comprised in an Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from the United States or any other Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or any other Restricted Jurisdiction for delivery of the share certificates of Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph (a).

### *(b) Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part 3 "Terms and Conditions of the Open Offer" represents and warrants to the Company, and Cenkos Securities that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he or she is not within the United States or any other Restricted Jurisdiction; (ii) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire Offer Shares; (iii) he or she is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he or she is not acquiring any Offer Shares with a view the offer, sale, resale, transfer, delivery or distribute, directly or indirectly, any such Offer Shares into any of the above territories.

## **6.6 Waiver**

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, and Cenkos Securities in their absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

## **7. Times and Dates**

The Company shall, in agreement with Cenkos Securities and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the London Stock Exchange, and make an announcement on

a Regulatory Information Service but Qualifying Shareholders may not receive any further written communication.

If a supplementary circular is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary circular (and the dates and times of principal events due to take place following such date shall be extended accordingly).

#### **8. Taxation**

Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

#### **9. Further information**

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

#### **10. Governing law and jurisdiction**

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form. By taking up Offer Shares, by way of their Open Offer Entitlement and the Excess Application Facility (as applicable), in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART 4

### QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

The questions and answers set out in this Part 4 “Questions and Answers about the Open Offer” are intended to be in general terms only and, as such, you should read Part 3 “Terms and Conditions of the Open Offer” of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part 4 deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part 3 “Terms and Conditions of the Open Offer” of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part 3 “Terms and Conditions of the Open Offer” of this document for full details of what action you should take.

If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the shareholder helpline on 0121 585 1131. Calls to the helpline number are typically charged at your service provider’s standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note Neville Registrars cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement.

The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.

#### **1. What is an open offer?**

An open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance Shareholders will also be offered the opportunity to apply for additional shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlement in full. The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 12,045,964 new Ordinary Shares at a price of 16.25 pence per share. If you hold Existing Ordinary Shares on the Record Date or have a bona fide market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States, or any other Restricted Jurisdiction, you will be entitled to buy Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 Offer Share for every 11 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number. The Offer Price of 16.25 pence per Offer Share represents discount of 2.23 per cent. to the closing middle-market price quotation as derived from the Daily Official List of the London Stock Exchange of 16.62 pence per Ordinary Share on 3 December 2013 (being the last practicable date prior to the date of this document).

The Excess Application Facility allows Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement. Applications made under the Excess Application Facility may be allocated in such manner as the Directors may determine in their absolute discretion, if applications are received from Qualifying Shareholders for more than the available number of Offer Shares, and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor Open Offer Entitlements can themselves be traded. Shareholders will not be able to apply for any new Ordinary Shares which are the subject of the Firm Placing and Subscription.

**2. I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?**

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States or any other Restricted Jurisdiction, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 4 December 2013 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

**3. I hold my Existing Ordinary Shares in certificated form. How do I know how many Offer Shares I am entitled to take up?**

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address and are not located in the United States or any other Restricted Jurisdiction, you will be sent an Application Form that shows:

- how many Existing Ordinary Shares you held at the close of business on the Record Date;
- how many Offer Shares are comprised in your Open Offer Entitlement; and
- how much you need to pay if you want to take up your right to buy all your entitlement to the Offer Shares.

Subject to certain exceptions, if you have a registered address in the United States or any other Restricted Jurisdiction, you will not receive an Application Form.

If you would like to apply for any of or all of the Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be returned, along with a cheque or banker’s draft drawn in the appropriate form, by post to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 19 December 2013, after which time Application Forms will not be valid.

**4. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?**

**(a) If you do not want to take up your Open Offer Entitlement**

If you do not want to take up the Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Offer Shares. You will also not receive any money when the Offer Shares you could have taken up are sold, as would happen under a rights issue.

You cannot sell your Application Form or your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Offer Shares to which you are entitled by 11.00 a.m. on 19 December 2013, the Company has made arrangements under which the Company has agreed to issue the Offer Shares to other Qualifying Shareholders under the Excess Application Facility.

If you do not take up your Open Offer Entitlement then following the issue of the Offer Shares pursuant to Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the basic entitlement under the Open Offer, their proportionate economic interest would be diluted by the issue of new Ordinary Shares pursuant to the Excess Application Facility and the Firm Placing.

**(b) If you want to take up some but not all of your Open Offer Entitlement**

If you want to take up some but not all of the Offer Shares to which you are entitled, you should write the number of Offer Shares you want to take up in Boxes 2 and 4 of your Application Form; for example, if you are entitled to take up 50 shares but you only want to take up 25 shares, then you should write ‘25’ in Boxes 2 and 4. To work out how much you need to pay for the Offer Shares, you need to multiply the number of Offer Shares you want (in this example, ‘25’) by £0.1625, which

is the price in pounds of each Offer Share (giving you an amount of £4.07 in this example). You should write this amount in Box 5, rounding up to the nearest whole pence and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form, together with a cheque or banker's draft for that amount, by post to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 19 December 2013, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Neville Registrars Limited RE. Flowgroup PLC" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 4 of Part 3).

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct Neville Registrars to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Offer Shares that you take up. Your definitive share certificate for Offer Shares is expected to be despatched to you by no later than 10 January 2014.

**(c) If you want to take up all of your Open Offer Entitlement**

If you want to take up all of the Offer Shares to which you are entitled, all you need to do is send the Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque or banker's draft for the amount (as indicated in Box 8 of your Application Form), by post to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 19 December 2013, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Neville Registrars Limited re. Flowgroup PLC" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

A definitive share certificate will then be sent to you for the Offer Shares that you take up. Your definitive share certificate for Offer Shares is expected to be despatched to you by no later than 10 January 2014.

**(d) If you want to apply for more than your Open Offer Entitlement**

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. You should write the number of Offer Shares comprised in your Open Offer Entitlement (as indicated in Box 7 of the Application Form) in Box 2 and write the number of Excess Shares for which you would like to apply in Box 3. You should then add the totals in Boxes 2 and 3 and insert the total number of Offer Shares for which you would like to apply in Box 4. For example, if you have an Open Offer Entitlement for 50 Offer Shares but you want to apply for 75 Offer Shares in total, then you should write '50' in Box 2, '25' in Box 3 and '75' in Box 4. To work out how much you need to pay for the Offer Shares, you need to multiply the number of Offer Shares you want (in this example, '75') by £0.1625, which is the price in pounds sterling of each Offer Share (giving you an amount of £12.19 in this example). You should write this amount in Box 5. You should then return your Application Form by post to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 19 December 2013, after which time Application Forms will not be valid. If you post your application form by first class post, you should allow at least four Business Days for delivery.

If applications under the Excess Application Facility are received for more than the total number of Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion. No assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

A definitive share certificate will then be sent to you for the Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Offer Shares is expected to be despatched to you, at your own risk, by no later than 10 January 2014.

**5. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST members should follow the instructions set out in Part 3 "Terms and Conditions of the Open Offer" of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Existing Ordinary Shares of (i) the number of Offer Shares which they are entitled to acquire under their Open Offer Entitlement and (ii) how to apply for Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility provided they choose to take up their Open Offer Entitlement in full and should contact them should they not receive this information.

**6. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 3 December 2013 and who have converted them to certificated form;
- Qualifying non-CREST Shareholders who bought Existing Ordinary Shares before 4 December 2013 but were not registered as the holders of those shares at the close of business on 3 December 2013; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Shareholder helpline on 0121 585 1131. Calls to the helpline number are typically charged at your service provider's standard rate. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security

and training purposes. Please note Neville Registrars cannot provide financial or taxation advice or comment on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlement.

**7. Can I trade my Open Offer Entitlement?**

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), Open Offer Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a bona fide market claim. Offer Shares for which an application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their Open Offer Entitlement will have no rights under the Open Offer or receive any proceeds from it. The Offer Shares are not underwritten.

**8. What if I change my mind?**

If you are a Qualifying non-CREST Shareholder, once you have sent your Application Form and payment to Neville Registrars, you cannot withdraw your application or change the number of Offer Shares for which you have applied, except in the very limited circumstances which are set out in this document.

**9. What if the number of Offer Shares to which I am entitled is not a whole number: am I entitled to fractions of Offer Shares?**

If the number is not a whole number, you will not receive a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number.

**10. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?**

If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 3 December 2013, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 4 December 2013, you may still take up and apply for the Offer Shares as set out on your Application Form.

**11. I hold my Existing Ordinary Shares in certificated form. How do I pay?**

Completed Application Forms should be returned with a cheque or banker's draft drawn in the appropriate form. All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Neville Registrars Limited RE. Flowgroup PLC" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant's name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

**12. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?**

If you decide not to apply for any of the Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced.

**13. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?**

You should send your completed Application Form together with the monies in the appropriate form, by post to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal office hours only). If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

**14. I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Offer Shares?**

Neville Registrars must receive the Application Form by no later than 11.00 a.m. on 19 December 2013, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

**15. How do I transfer my entitlements into the CREST system?**

If you are a Qualifying non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to CCSS in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

**16. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?**

It is expected that Neville Registrars will post all new share certificates by 10 January 2014.

**17. If I buy Existing Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?**

If you bought your Existing Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

**18. Will I be taxed if I take up my entitlements?**

Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

**19. What should I do if I live outside the United Kingdom?**

Your ability to apply to acquire Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or any Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part 3 "Terms and Conditions of the Open Offer" of this document.

**20. Further assistance**

Should you require further assistance please call the shareholder helpline on 0121 585 1131. Please note that, for legal reasons, the Shareholder helpline is only able to provide information contained in this document and information relating to the Company's register of members and is unable to give advice on the merits of the Open Offer or to provide legal, business, accounting, tax, investment or other professional advice.



## PART 5

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company was incorporated under the Companies Act 1985 and registered in England and Wales on 17 May 2006 with registered number 5819555 as a private limited company with the name Futurebay Limited. The liability of the members of the Company is limited.
- 1.2 On 8 August 2006 the Company changed its name and re-registered as a public limited company with the name Energetix Group PLC. On 18 June 2013 the Company changed its name to Flowgroup PLC.
- 1.3 The registered office of the Company is at Castlefield House, Liverpool Road, Castlefield, Manchester M3 4SB. The principal place of business of the Company is Capenhurst Technology Park, Capenhurst, Chester CH1 6EH. Its telephone number is 0151 348 2100.
- 1.4 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.5 The Company is domiciled in England.
- 1.6 The Company's accounting reference date is 31 December.
- 1.7 The ISIN number of the Ordinary Shares is GB00B19H7076

#### 2. Share capital

- 2.1 The issued and fully paid up share capital of the Company as at 3 December 2013 (being the last practicable date before publication of this document) was 132,505,606 Ordinary Shares.
- 2.2 As at 3 December 2013 (being the last practicable date before publication of this document) there were options in issue that if exercised could result in the issue of up to a further 12,479,080 Ordinary Shares.
- 2.3 Following Admission there will be a further 97,570,000 Ordinary Shares in issue (being the Firm Placing Shares and the Subscription Shares) and up to a further 12,045,964 Ordinary Shares (being the Offer Shares). If no Offer Shares are issued then immediately following Admission the Company will have an issued share capital of 230,075,606 Ordinary Shares. If all the Offer Shares are issued then immediately following Admission the Company will have an issued share capital of 242,121,570 Ordinary Shares.
- 2.4 By ordinary and special resolutions passed on 17 June 2013:
  - 2.4.1 the Directors were generally and unconditionally authorised, in accordance with section 551 of the Act, to:
    - (i) exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company up to a maximum aggregate nominal amount of £2,208,426.75 (44,168,535 Ordinary Shares); and
    - (ii) provided that the authorities granted by this resolution will expire on 30 June 2014 or if earlier at the conclusion of the next annual general meeting of the Company but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and the Directors may allot shares in the Company or grant rights pursuant to such offer or agreement as if the authority conferred by this resolution had not expired.
  - 2.4.2 the Directors were given power in accordance with section 571(1) of the Act, to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authority referred to in 2.4.1 above as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to:
    - (i) The allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the

interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange and

- (ii) the allotment (otherwise than pursuant to (i) above) of equity securities up to an aggregate nominal amount of £662,528 (13,250,560 Ordinary Shares) and the power hereby conferred shall expire on 30 June 2014 or if earlier at the conclusion of the annual general meeting of the Company held in 2014 save that the Company may before such expiry make an offer or agreement which will or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.

2.5 The Company is seeking further resolutions to enable it to allot New Ordinary Shares pursuant to the Firm Placing Subscription and Open Offer at the General Meeting which will be in addition to the authorities described at 2.4 above.

### 3. Directors' and Other Interests

3.1 The interests of the Directors (including the interests of their spouses and infant children and the interests of any person connected with him (within the meaning of sections 252 to 254 of the 2006 Act)) are as follows:

	As at the date of this document		As at Admission *	
	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
Clare Mary Spottiswoode	547,247	0.41	608,787	0.25
David Kenneth Grundy	–	–	153,844	0.06
Anthony David Stiff	727,790	0.55	1,343,174	0.55
John Joseph Johnston	170,170	0.13	724,014	0.30
Henry Joseph Cialone	12,000	0.01	319,692	0.13

\* These numbers and percentages are calculated assuming that the Offer Shares are fully taken-up.

#### 3.2 Director's option arrangements

The following of the Directors have the following option arrangements under the schemes detailed at paragraph 5 below:

Clare Spottiswoode - subscription options over 4,001,087 Ordinary Shares (representing 3.02% of the current issued share capital of the Company). 800,000 of these options were granted under the EMI Scheme and 3,201,087 were granted under the Unapproved Scheme. All of the options have an exercise price of 28 pence per Ordinary Share. One third of the options granted under each Scheme are exercisable at any time when the Company's AIM mid-market share price has been maintained at 50 pence or higher for not less than one calendar month; another third are exercisable at any time when the Company's AIM mid-market share price has been maintained at £1 or higher for not less than one calendar month; and the final third are exercisable at any time when the Company's AIM mid-market share price has been maintained at £1.50 or higher for not less than one calendar month.

Tony Stiff - subscription options over 5,326,143 Ordinary Shares (representing 4.02% of the current issued share capital of the Company). 800,000 of these options were granted under the EMI Scheme and 4,526,123 were granted under the Unapproved Scheme. All of the options under the EMI Scheme and 3,201,087 of the options under the Unapproved Scheme (i.e. a total of 4,001,087 options) have an exercise price of 28 pence per Ordinary Share.

The remaining 1,325,056 options under the Unapproved Scheme have an exercise price of 17.25 pence per Ordinary Share. One third of the options granted under each Scheme at each exercise price are exercisable at any time when the Company's AIM mid-market share price has been maintained at 50 pence or higher for not less than one calendar month; another third are exercisable at any time when the Company's AIM mid-market share price has been maintained at £1 or higher for not less than one calendar month; and the final third are exercisable at any time when the Company's AIM mid-market share price has been maintained at £1.50 or higher for not less than one calendar month.

Henry Cialone - subscription options over 412,500 Ordinary Shares (representing 0.31% of the current issued share capital of the Company) all of which options were granted under the Unapproved Scheme. All of the options have an exercise price of 28 pence per Ordinary Share. One third of the options are exercisable at any time when the Company's AIM mid-market share price has been maintained at 50 pence or higher for not less than one calendar month; another third are exercisable at any time when the Company's AIM mid-market share price has been maintained at £1 or higher for not less than one calendar month; and the final third are exercisable at any time when the Company's AIM mid-market share price has been maintained at £1.50 or higher for not less than one calendar month.

- 3.3 Save as disclosed above, no Director nor any member of his immediate family or person connected with him (within the meaning of sections 252 to 254 of the Act) holds or is interested, whether beneficially or non-beneficially, directly or indirectly, in any shares, options over shares, voting rights in respect of shares or securities convertible into shares of the Company or any of its subsidiaries.

#### 4. Substantial Shareholdings

- 4.1 In addition to the interests of the Directors disclosed in paragraph 3 above, as at the date of this document, insofar as is known to the Company, the following persons were, or will at Admission, be directly or indirectly interested (within the meaning of Part VI of FSMA and DTR5) in three per cent. or more of the issued share capital of the Company:

	As at the date of this document		As at Admission *	
	Number of Ordinary Shares	Percentage of issued Ordinary Share capital	Number of Ordinary Shares	Percentage of issued Ordinary Share capital
Aviva plc	25,398,779	19.17%	48,725,179	20.12%
Henderson Global Investors	19,754,517	14.91%	19,754,517	8.16%
Adrian Charles Hutchings	11,565,465	8.73%	11,565,465	4.78%
Richard Griffiths**	8,114,381	6.12%	13,634,381	5.63%
Ignis Investment Services Ltd	7,950,519	6.00%	11,950,519	4.94%

\* These numbers and percentages are calculated assuming that the Offer Shares are fully taken-up.

\*\* Including controlled undertakings.

- 4.2 Save as disclosed in paragraph 4.1, so far as the Directors are aware, there are no persons who are, at the date of this document, or will be immediately following Admission, interested directly or indirectly in three per cent. or more of the issued share capital of the Company or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

## 5. Summary of Option Schemes

### 5.1 The Schemes

The Company has established four share option schemes (“the Schemes”) in relation to Ordinary Shares:

- the Energetix Unapproved Share Option Scheme 2006 (“the Unapproved Scheme”) adopted on 29 June 2006 (and amended on 16 October 2012);
- the Energetix Enterprise Management Incentive Scheme 2006 (“the EMI Scheme”) adopted on 29 June 2006 (and amended on 16 October 2012);
- the Energetix Group plc Company Share Option Plan 2010 (“the CSOP”) adopted on 20 May 2010 (as amended on 16 October 2012) and approved by HMRC under reference number X 105702; and
- the Energetix Group plc Sharesave Scheme 2010 (“the SAYE Scheme”) adopted on 20 May 2010 (as amended on 16 October 2012) and approved by HMRC under reference number SRS 105703.

Grants under the Schemes may be made by the Company as subscription options or, with the consent of the Remuneration Committee, by an existing shareholder over shares already issued (for example, shares held in the Company’s employee benefit trust).

### 5.2 Potential grantees

The grant of options to any individual under the Schemes (other than the SAYE Scheme) is at the absolute discretion of the Remuneration Committee. Options may only be granted under the SAYE Scheme following an invitation made by the Directors to all eligible employees of the Group on the same terms.

An individual will only be granted options if:

- (a) in the case of the Unapproved Scheme, he is a bona fide employee (including an executive director) of the Company who is required to devote substantially the whole of his working time to the Company or is a non-executive director of any member of the Group;
- (b) in the case of the EMI Scheme, he is a bona fide employee (including an executive director, but excluding any person who has a 30 per cent. interest in the Company including the interest of his associates) who works at least 25 hours per week for the Group (or, if less, at least 75 per cent. of his working time);
- (c) in the cases of the CSOP and the SAYE Scheme, he is an executive director of any member of the Group who is required to work not less than 25 hours per week, or is an employee of any member of the Group; and
- (d) in the case of the SAYE Scheme, he agrees to take out a regular monthly savings contract to fund the exercise of the options.

The total market value (at the date of grant) of shares which are subject to unexercised options under the EMI Scheme may not exceed £250,000 at the present time due to HMRC restrictions. However, the Remuneration Committee has power to relax those and the other limitations presently imposed by the legislation relating to Enterprise Management Incentive schemes in the event of any future changes in the law permitting this.

### 5.3 Life of the Schemes

Options may be granted at any time in the ten year period beginning with the date of adoption of the Schemes, provided that no grant may be made at any time when it would cause any person to be in breach of any applicable rules relating to share dealings by directors and employees.

### 5.4 Individual limits on number of options

There are limits on the number of share options that may be granted to any individual as follows:

- (a) in the case of the Unapproved Scheme, the grant of options is limited so that an individual (other than a non-executive Director of any member of the Group) will not be granted subscription options if the total market value of the Ordinary Shares comprised in those

options at the time of the proposed grant, when added to the total market value (at the date of grant) of Ordinary Shares under options already granted to him in that year under the Unapproved Scheme and any other share option scheme established by the Company would exceed fifteen times his current actual annual remuneration;

- (b) under the EMI Scheme, the grant of options is limited so that an individual will not be granted options if the total market value of the Ordinary Shares comprised in those options at the time of the proposed grant, when added to the total market value (at the date of grant) of Ordinary Shares under unexercised options already granted to him under the EMI Scheme (and the CSOP) would exceed £250,000.
- (c) under the CSOP, the grant of options is limited so that an individual will not be granted options if the total market value of the Ordinary Shares comprised in those options at the time of the proposed grant, when added to the total market value (at the date of grant) of Ordinary Shares under unexercised options already granted to him under the CSOP would exceed £30,000.
- (b) under the SAYE Scheme, the grant of options is limited so that an individual will not be granted options if the total market value of the Ordinary Shares comprised in those options at the time of the proposed grant would exceed the proceeds of his linked savings contract (with a maximum monthly contribution of £250 to that contract).

#### 5.5 Aggregate limits on number of options

The maximum number of Ordinary Shares which may be issued on the exercise of options in total under the EMI Scheme may not exceed 10 per cent. of the issued ordinary share capital of the Company for the time being during the 10 years from the date of adoption of the scheme.

The maximum number of Ordinary Shares which may be issued on the exercise of options under the Unapproved Scheme may not exceed 10 per cent. of the issued ordinary share capital of the Company for time being during the 10 years from the date of adoption of the scheme.

The maximum number of Ordinary Shares which may be issued on the exercise of options in total under the CSOP may not exceed 5 per cent. of the issued ordinary share capital of the Company for the time being during the 10 years from the date of adoption of the scheme.

The maximum number of Ordinary Shares which may be issued on the exercise of options in total under the SAYE Scheme may not exceed 5 per cent. of the issued ordinary share capital of the Company for the time being during the 10 years from the date of adoption of the scheme.

The maximum number of Ordinary Shares which may be issued on the exercise of options in total under the EMI Scheme and the Unapproved Scheme may not in aggregate exceed 15 per cent. of the issued ordinary share capital of the Company for the time being during the 10 years from the date of adoption of the schemes.

Once the aggregate number of Ordinary Shares over which options have been granted under the EMI Scheme and the Unapproved Schemes has reached 10 per cent. of the issued ordinary share capital of the Company for time being, no further options may be granted under the CSOP Scheme.

Once the aggregate number of Ordinary Shares over which options have been granted under the EMI and Unapproved Schemes and the CSOP has reached 10 per cent. of the issued ordinary share capital of the Company for time being, no further options may be granted under the SAYE Scheme.

#### 5.6 Exercise Price

The price at which options may be exercised will be set by the Remuneration Committee at the date of grant but in the case of subscription options, will not be less than the nominal value of the Ordinary Shares. Further restrictions apply under the CSOP such that the exercise price must not be less than the market value of the shares under option as at the date of the grant of the option and under the SAYE Scheme such that the exercise price must not be less than 80% of the market value of the shares under option as at the date of the grant of the option.

## 5.7 Conditions of Exercise

Objective conditions may be imposed by the Remuneration Committee that have to be complied with before options may be exercised.

## 5.8 Timing of Exercise

Unless the Remuneration Committee specifies when granting any options an earlier exercise date (and other than in the case of a takeover or demerger or similar event) an option will be exercisable by the holder (in relation to the Schemes other than the SAYE Scheme) at any time between the third and tenth anniversaries of the date of the grant. Options under the SAYE Scheme are exercisable within six months of the end of the linked savings contract.

Under the CSOP and SAYE Schemes an optionholder is entitled to exercise his options within six months of leaving employment where that arises due to illness disability or redundancy (or, under the CSOP, if his employer leaves the Group). Otherwise if an optionholder leaves employment exercise of any outstanding options under the Schemes is at the Remuneration Committee's discretion. Any option not so exercised will lapse.

## 5.9 Status of options

All options are non-transferable. Ordinary Shares issued following exercise of any option will rank pari passu with the Ordinary Shares then in issue, save as regards any rights attaching to Ordinary Shares by reference to a record date prior to the date of exercise of the option. Options may be exercised in whole or in part subject to a minimum number of options that may be exercised at any one time.

## 5.10 Adjustment of options

The Remuneration Committee may adjust (subject to confirmation in writing by the auditors for the time being that such adjustment is fair and reasonable in their opinion) the number of shares subject to any option and/or the exercise price to take account of any shares issued by the Company (other than as consideration for an acquisition) and/or any capitalisation, consolidation, sub-division or reduction of the capital of the Company. Any adjustment under the CSOP and the SAYE Schemes is subject to obtaining the consent of HMRC.

## 5.11 Amendment of schemes

The Schemes may be amended by the Remuneration Committee but to the extent that any amendment would be advantageous in relation to certain rights of eligible employees or option holders the consent of the Company in general meeting is required. Any amendment to the CSOP and the SAYE Schemes is subject to obtaining the consent of HMRC.

The rules of the Schemes make detailed provision for the exercise and/or exchange of options in the event of a takeover or reverse takeover of the Company.

The Schemes require optionholders to be responsible for any employer's national insurance contributions otherwise payable by the Company on the grant and/or exercise and/or disposal of any options and to indemnify the Company against any income tax due in such circumstances

## 5.12 Current Options

Subscription options over a total of 16,674,792 Ordinary Shares have been granted under the Unapproved Scheme. 8,462,773 of these have lapsed, leaving 8,212,019 still capable of exercise. These unexercised options equate to 6.20% of the current issued share capital of the Company (and 3.39% of the Enlarged Share Capital if the Offer Shares are fully taken up).

Subscription options over a total of 5,186,446 Ordinary Shares have been granted under the EMI Scheme. 1,476,321 of these have lapsed, leaving 3,710,125 still capable of exercise. These unexercised options equate to 2.80% of the current issued share capital of the Company (and 1.53% of the Enlarged Share Capital if the Offer Shares are fully taken up).

Subscription options over a total of 182,854 Ordinary Shares have been granted under the CSOP all of which are still capable of exercise. These unexercised options equate to 0.14% of the current issued share capital of the Company (and 0.08% of the Enlarged Share Capital if the Offer Shares are fully taken up).

Subscription options over a total of 452,342 Ordinary Shares have been granted under the SAYE Scheme. 78,260 of these have lapsed, leaving 374,082 still capable of exercise. These unexercised

options equate to 0.28% of the current issued share capital of the Company (and 0.15% of the Enlarged Share Capital if the Offer Shares are fully taken up).

Across all the Schemes there are unexercised subscription options over a total of 12,479,080 Ordinary Shares which equate to 9.42% of the current issued share capital of the Company (and 5.15% of the Enlarged Share Capital if the Offer Shares are fully taken up).

All these figures include the Directors' current option arrangements.

#### 5.13 Proposed grants of new options

As soon as is reasonably practical after the General Meeting it is proposed to grant subscription options under the EMI Scheme to members of the Group's senior management teams over a total of 500,000 Ordinary Shares with an exercise price of 16.25 pence per Ordinary Share. These options will not be exercisable for a period of two years from grant and then only if the Company's AIM mid-market share price is £1 or greater.

Following these grants the following subscription options over a total of 12,979,080 Ordinary Shares (equivalent to 5.36% of the Enlarged Share Capital of the Company if the Offer Shares are fully taken up) will remain exercisable under the Schemes:

- under the EMI Scheme, over 4,210,125 Ordinary Shares (equivalent to 1.74% of the Enlarged Share Capital assuming the Offer Shares are fully taken up);
- under the Unapproved Scheme, over 8,212,019 Ordinary Shares (equivalent to 3.39% of the Enlarged Share Capital assuming the Offer Shares are fully taken up);
- under the CSOP, over 182,854 Ordinary Shares (equivalent to 0.08% of the Enlarged Share Capital assuming the Offer Shares are fully taken up); and
- under the SAYE Scheme, over 374,082 Ordinary Shares (equivalent to 0.15% of the Enlarged Share Capital assuming the Offer Shares are fully taken up).

## 6. Firm Placing and Open Offer Agreement

6.1 Pursuant to the Firm Placing and Open Offer Agreement dated 4 December 2013 between the Company and Cenkos Securities, Cenkos Securities has agreed to use its reasonable endeavours to place the Firm Placing Shares at the Offer Price.

The Firm Placing and Open Offer Agreement provides, inter alia, for payment of the following amounts by the Company to Cenkos Securities:

- (a) a commission equal to 5 per cent. of the aggregate value at the Offer Price of the Firm Placing Shares (other than certain investors which shall carry a commission of 3%) placed by Cenkos Securities in connection with the Firm Placing ;
- (b) a commission equal to 3 per cent. of the aggregate value of the Offer Price of all the Offer Shares allotted and issued in connection with the Open Offer; and
- (c) a Corporate Finance Fee of £150,000 (plus any applicable VAT) pursuant to the Firm Placing and Open Offer.

The Company will bear all other expenses of and incidental to the Firm Placing and Open Offer, including the fees of the London Stock Exchange, printing costs, registrar's and receiving banker's fees, all legal and accounting fees of the Company and of Cenkos Securities, all stamp duty and other taxes and duties payable. The agreement contains certain warranties and indemnities from the Company in favour of Cenkos Securities and is conditional, inter alia, upon:

- (a) the Firm Placing and Open Offer Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms;
- (b) the entry by the Company into the manufacturing services agreement with Jabil; and
- (c) Admission becoming effective not later than 8.00 a.m. on 23 December 2013 or such later time and/or date as Cenkos Securities may agree, being not later than 31 January 2014.

Cenkos Securities may terminate the agreement in certain circumstances, if, inter alia, an event occurs, or if there is a material adverse change in the financial, political economic or stock market conditions, which in its reasonable opinion makes it impractical or inadvisable to proceed with the Firm Placing and Open Offer.

## **7. General**

- 7.1 Neither the Group nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings and, so far as the Directors are aware, there are no governmental, legal or arbitration proceedings, pending or threatened against them or being brought by the Group or any of its subsidiaries, during the previous 12 months, which may have, or had in the recent past, a significant effect on the financial position or profitability of the Group.
- 7.2 Cenkos Securities has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 7.3 The costs and expenses of, and incidental to, the Firm Placing Subscription and Open Offer are payable by the Company and are estimated to amount to approximately £0.9 million (excluding Value Added Tax).
- 7.4 The gross proceeds of the Firm Placing, Subscription and Open Offer are expected to be £17.8 million, assuming the Open Offer is fully subscribed. The net proceeds of the Firm Placing, Subscription and Open Offer are expected to be £17.0 million, assuming the Open Offer is fully subscribed.
- 7.5 The Ordinary Shares are in registered form and are capable of being held in uncertificated form. Settlement of the Firm Placing Shares and Offer Shares will, at the option of Firm Placees or Qualifying CREST Shareholders (as the case may be), be within CREST and Ordinary Shares will be delivered into the CREST account of Placees on 23 December 2013 in respect of the Firm Placing Shares and on 23 December 2013 in respect of the Offer Shares. No temporary documents of title will be issued. Definitive share certificates for Firm Placees not settling through CREST and Qualifying non-CREST Shareholders and the subscribers for the Subscription Shares will be despatched by 10 January 2014. Prior to the despatch of such certificates, transfers will be certified against the register of members of the Company.

## **8. Availability of Document**

Copies of this document are available free of charge at the Company's registered office, during normal business hours on any Business Day, and shall remain available for at least one month after Admission. In addition, this document will be available free of charge for a period of 12 months from the date of this document on the Company's website [www.Flowgroup.uk.com](http://www.Flowgroup.uk.com).

Dated: 4 December 2013



# FLOWGROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with company number 5819555)

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the General Meeting of Flowgroup Plc (“the Company”) will be held at the offices of Atticus Legal LLP Castlefield House, Liverpool Road, Manchester M3 4SB on Friday 20 December 2013 at 10.00 a.m. to consider, and if thought fit pass, the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolution 2 as a special resolution.

### ORDINARY RESOLUTION

1. THAT, in accordance with section 551 of the Companies Act 2006 (the “Act”), the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £5,480,798.20 (109,615,964 Ordinary Shares) pursuant to the Firm Placing, Subscription and Open Offer, provided that this authority will expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2014, or the date falling 15 months from the date of the passing of this resolution (unless renewed varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after this authority expires and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this Resolution had not expired.

### SPECIAL RESOLUTION

2. THAT, subject to and conditional upon the passing of Resolution 1, in accordance with section 571(1) of the Act, the Directors be empowered to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authority conferred by Resolution 1 above, as if section 561 of the Act did not apply to any such allotment, provided that this power shall:
  - be limited to the allotment of equity securities pursuant to the Firm Placing, Subscription and Open Offer up to an aggregate nominal value of £5,480,798.20 (109,615,964 Ordinary Shares); and
  - expire at the conclusion of the annual general meeting of the Company to be held in 2014 but may be previously revoked or varied by special resolution and so that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.

*Registered Office*

Castlefield House  
Liverpool Road  
Castlefield  
Manchester M3 4SB

*By Order of the Board*

Philip Martin Barry  
Company secretary

Dated 4 December 2013

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 10.00 a.m. on 18 December 2013 shall be entitled to attend and vote at the General Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a proxy form with this notice of General Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the Chairman of the General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars at the address set out in note 5.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- (a) completed and signed; (b) sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA ; and
- (c) received by them no later than 10.00 a.m. on 18 December 2013.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. As at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting, the Company's issued share capital comprised 132,505,606 ordinary shares of 5p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting is 132,505,606.



