8 May 2014

Flowgroup plc
(the "Group")

Preliminary Results

Flowgroup plc (AIM: FLOW), which develops and commercialises alternative and efficient energy technology products for the global market, announces its Preliminary Results for the year ended 31 December 2013.

Financial highlights

- Revenue of £13.8m (2012: £.01m)
- Operating loss of £7.7m (2012: £4.8m) reflecting continuing investment in the business as the Group moves towards commercialisation of the flow microCHP boiler
- £16.4m raised (net) to continue with commercialisation of Flow and Flow Battery products
- Cash at 31 December 2013 of £17.4m (as at 31 December 2012: £12.1m)

Operational highlights

- Exclusive manufacturing agreement signed with Jabil for the production of up to 390,000 Flow boilers in the UK
- Production-standard boilers installed in customer homes in successful Flow boiler pilot
- Flow Energy successfully launched with c.50,000 customer accounts generating £30m in annualised revenues
- Flow Battery wins three year National Grid framework agreement

Post year end highlights

- Flow boiler receives CE Certification from the British Standards Institution (BSI)
- Supply chain secured for all key components
- Flow Energy releases a new competitive home energy tariff
- Flow Battery receives initial order from Trane Canada

Clare Spottiswoode, Executive Chairman of Flowgroup commented: "With an agreement in place with a world-renowned manufacturer for the production of the Flow boiler, a pilot scheme successfully initiated, CE certification achieved, our energy business launched and orders booked for Flow Battery, the Group can be considered to have made significant progress in 2013. Our success in 2013 will be carried through to 2014, with the all-important launch of the Flow boiler.

"We believe that we are now firmly on track for commercialisation of the Group's unique technology platform, with all the benefits that will bring, to consumers, the energy industry, wider society and shareholders."

Chairman's Statement

With an agreement in place with a world-renowned manufacturer for the production of the Flow boiler, a pilot scheme successfully initiated, CE certification achieved, our energy business launched and orders booked for Flow Battery, the Group can be considered to have made significant progress in 2013. Our success in 2013 will be carried through to 2014, with the all-important launch of the Flow boiler.

Industry developments

Energy continues to be a high profile topic, whether it's a focus on hard-pressed consumers and domestic energy prices or on the necessity of the energy industry making the structural changes required to keep the UK's lights on.

There is a growing focus within the broader energy debate on the benefits of decentralised energy generation. The vision of millions of households employing small-scale, efficient generation is often seen as future thinking. The Group believes that its microCHP technology platform represents a clear opportunity to bring this vision to life. A standard-sized, quiet and, most importantly, affordable microCHP boiler has long been a sought-after prize in the global heating industry. Flowgroup has now achieved this and the commercialisation of the Flow boiler in the second half of 2014 is an important moment for us, and also for society. In the future, millions of Flow boilers in operation would mean millions of tonnes of CO^2 saved, billions of pounds off electricity bills, some large, dirty power stations decommissioned – and, of course, significant success for our shareholders.

Change of name and branding

We changed the name of the Group to Flowgroup plc during the year, to create an over-arching Flow brand. All three websites (Energy, Group and Battery) were upgraded during the year to more effectively convey the vision for the business and will continue to be improved through 2014.

Business overview

Flow Energy exceeded the Group's expectations following an extremely successful launch for our new energy supply business. Our initial target of 36,000 customer accounts was surpassed as we took on 50,000. We entered the energy market again in April 2014 in order to generate additional brand exposure and coverage for our boiler proposition.

The Flow boiler pilot launched in November 2013 and we received a large number of applications, evidencing again the pent up demand for a product and offer like ours. The primary aim of the pilot, to refine our installation and surveying procedures, has already been achieved and we will incorporate our experience of this into the training programme for our installation partners. The pilot will now run for 12 months and, over the year, we will collect a range of reliability and generation data from the boilers we have installed, which we will use, where appropriate, to refine the design of the boiler. While testing will be an ongoing process throughout the year, following the conclusion of the pilot we will decommission the pilot boilers for a definitive analysis of component performance.

One of our central goals for 2013 was to put in place an agreement for volume manufacture of the Flow boiler. Jabil, one of the world's leading manufacturing solution partners, was an extremely strong choice. Under the terms of the agreement, Jabil will fund the provision of tooling and provide supply chain working capital for the manufacture by Jabil of up to 390,000 Flow boilers. This represents a significant commitment by Jabil to the Group and removes one of the key challenges of volume manufacture – the expense of buying and holding stock during the manufacturing process. Alongside the wealth of experience and huge resource they bring to the table, this agreement will allow the Group to manufacture the Flow boiler at the high volume and quality that our business model requires. The design for volume manufacture has now been passed to Jabil at their dedicated plant in Livingston, Scotland, following the Flow boiler receiving CE certification from the British Standards Institution (BSI).

Flow Battery won a three year framework agreement with National Grid for replacement of lead acid batteries in Grid's network of 303 substations. This is an agreement that has a potential to provide a strong revenue stream to the Group. In addition, Flow Battery received an initial order from Trane Canada, allowing further expansion into the North American market.

Board and management changes

Peter Richardson stepped down as Group Chief Executive Officer on 30 April 2013, by mutual agreement with the Board. Following his successful launch of Flow Energy, Tony Stiff took over as Group Chief Executive Officer and has since applied his extensive experience of building and growing businesses to the Group's activities.

John Johnston joined the Group as a Non-Executive Director in August. John has extensive City experience and brings with him a wealth of knowledge and connections. The Group is also currently in the process of recruiting a CFO.

Funding

The Group conducted a successful fundraise in December of 2013. £15.9m was raised via a Placing and £1.5m via an Open Offer. The funds were invested by both existing and new shareholders, demonstrating a strong commitment to the Group from a range of investors.

After costs, the sum raised was £16.4m. The Board believes that these funds will be sufficient to take the Group through from initial boiler sales to cash generation. Accordingly, the Board considers that the Group has adequate resources to continue in operational existence for the foreseeable future and has adopted the going concern basis in preparing the Financial Statements.

Outlook

2013 was a year of significant achievement for the Group. 2014 represents an opportunity to begin to leverage the Group's technology platform both in the UK and globally. We have already generated significant interest from energy-related businesses around the world who understand that we have products that meet some of the most pressing energy needs of both consumers and wider society. We believe we are now firmly on track for commercialisation of the Group's microCHP technology platform, with all the benefits that will bring, for consumers, the energy industry, society and shareholders.

Clare Spottiswoode

Executive Chairman

8 May 2014

Strategic Report

2013 was a year of significant progress. Across the Group, we have delivered on our objectives. This has been reflected in the market's increased interest in our shares and a corresponding belief in the Group's ability to commercialise, on a large scale, its game-changing technology platform.
The key milestones we achieved this year are as follows:

- Launched our fully accredited energy supply business, Flow Energy, and reached 50,000 customer accounts which now generate an annualised revenue of £30m.
- The Flow boiler pilot involved the successful installation of production standard Flow boilers in a range of customer homes.
- Signed an exclusive manufacturing agreement with Jabil, one of the world's leading manufacturing solutions partners, for the production of up to 390,000 Flow boilers in the UK.
- Completed a successful funding round bringing £16.4m, after costs, of additional investment into the business.
- Flow Battery won a three year framework agreement with National Grid which has the potential to create a significant revenue stream.

Following the end of year, the Flow boiler received CE certification from the British Standards Institution (BSI). The CE mark indicates that the Flow boiler is compliant with all safety regulations and has been certified for volume production and home installation. We also re-launched our energy-only proposition through Flow Energy, to increase revenue and exposure for the Flow brand. Flow Battery enjoyed continuing success, receiving an initial order from Trane Canada for a national telecommunications client, which consolidates their position in the lucrative North American market.

Our objectives for 2014 are clear:

- Launch the Flow boiler into the market.
- Develop a product roadmap to increase the potential market size for the Flow boiler, both in the UK and internationally.
- Create a prototype of the combination version of the Flow boiler.
- Continue to build our installation and servicing infrastructure.
- Open our dedicated training school.
- Increase visibility for Flow with consumers and industry.
- Extend Flow Energy's customer base.
- Continue growth of the Flow Battery business.

In 2013, we have worked methodically towards our key objectives and have been successful in achieving them. We believe that, by following the same approach in 2014, we will commercialise the Group's technology platform and begin to build a unique global company.

Branding and positioning
The campaign to promote Flow Energy and develop its customer base gained significant exposure for the Flow brand and positive media coverage for Flow. We have launched a new energy campaign in April 2014 which will perform the same function, as well as adding to the pool of easy-to-reach potential boiler customers that we already have on our energy database.

In order to build an organisation of global scale, it's vital to position Flowgroup accurately. What will drive growth for the Group is its technology platform and it is therefore important to emphasise this in our messaging to external stakeholders and potential partners. We have a successful energy company in the UK and our global ambitions will be met as an energy technology company, allowing us to be seen as what we are: a key part of a smart, technology-driven and connected future for energy.

Flow Products

Manufacturing

Towards the end of 2013, we were delighted to announce that we had entered into an exclusive manufacturing services agreement with Jabil, one of the world's leading manufacturing partners. Jabil has over 180,000 employees across 33 countries and generated $18.3 billion revenue in the financial year 2013 manufacturing for many major corporates including Cisco, HP, Emerson, Apple and Blackberry. Jabil will manufacture both the boiler and the power module at a dedicated plant in Livingston, Scotland. Under the terms of the agreement, Jabil will fund the provision of tooling and provide supply chain working capital for the manufacture by Jabil of up to 390,000 Flow boilers.

This represents a significant investment by Jabil, who made their decision to partner with Flow after a significant due diligence programme which analysed the technical performance of the boiler as well as the business model and the existing supply chain. We believe that Jabil's belief in our technology, as well as the wealth of experience and skills they bring to the project in manufacturing, supply chain, product production readiness review and purchasing will allow us to succeed in our aim of manufacturing the Flow boiler at significant volume and quickly reducing the cost price while maintaining the highest quality product. Jabil will also provide access to new and emerging technologies that complement our technology base and further increase our ability to grow.

We are particularly pleased that, as the Flow boiler will be manufactured in its entirety in Scotland, it can be marketed as a UK designed and manufactured product, with all the benefits in customer sentiment that brings. The design for volume manufacture has been passed from our engineering department to Jabil's team in Scotland, following CE Certification of the Flow boiler. Jabil has purchased and commissioned test equipment, designed production line layouts and employed key staff with specialist skills. Flowgroup's supply chain has been connected to the manufacturing facility and Jabil is now placing orders directly with the Group's suppliers.

Supply chain

The Flow Products supply chain team has made tremendous progress. The Materials Resource Planning (MRP) system is now running live and is ready for top line component ordering to begin. The team has sourced an experienced and well-regarded supplier for the primary heat exchanger. The supply chain for a new and improved scroll, manufactured in Germany, has been completed and will allow further improvement of the design of the scroll. We have signed an agreement for the manufacture of the power board, with all the supply chain being secured and approved at the same time.

Technical progress

Flow Products has strengthened its team further with Quality and Production Transfer specialists, Production Engineers and Programme Management experts. We have created new structures within the teams, the success of which was proven by the Flow boiler achieving both G83 and CE approval.
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. This will include a range of new models for the UK market. The team will design Flow boilers with a larger heat output, to allow them to heat bigger homes, as well as a cascade version to target small commercial property, and a combination boiler version to target that large and growing market. The roadmap will also include bespoke versions of the boiler that take into account differences in heating systems in other key countries, to allow expansion into international markets.

The Flow pilot
The Flow boiler pilot was launched in November 2013 and will run to March 2015. We will install 120 Flow boilers in total, including 20 for Calor customers. We have installed 75 boilers currently and we will install the first 25 units to roll off the Jabil production line as pilot boilers, allowing us to monitor their performance in customer homes. Calor's 20 installs will occur over the coming months, in line with their own schedule.

The pilot boilers have been successfully running over the winter, in heat-only mode, to prove the heating capability of the condensing boiler and to monitor reliability. The power units, which contain our electricity-generating technology housed inside the body of the Flow boiler, required CE Certification before installation. Since we achieved CE Certification at the end of March, power units will now be installed in existing boilers in a range of pilot homes. Although we already have an enormous amount of laboratory data on the boiler's generation capability, the power units we install will provide additional useful data as they run throughout the year.

The primary aim of the Flow boiler pilot was to refine surveying and installation procedures and to gain customer feedback on the process, the boiler itself and its control system. All of which has now been achieved. In terms of performance, the pilot boilers have performed in line with expectations and customer satisfaction with the Flow boiler is high. We believe the successful Flow boiler pilot illustrates the capability of the Group to deliver its plan to commercialise microCHP technology for the domestic market, at volume, for the first time.

Servicing and installation
We have developed our surveying, installation and servicing network throughout the year. We have a long-standing agreement in place with Calor to provide nationwide coverage. We have also conducted talks with numerous other installation partners and are in the process of building a sales team to target installers nationwide. It is envisaged that our network of installers will also play a key role in the sales process. All installers will be trained in our dedicated, standalone training centre, which will open in mid-2014.

Flow Energy
We launched our energy supply business as a standalone entity in April 2013. We had a clear target – to gain 36,000 customer accounts primarily in order to test our systems and to gain brand exposure. Customer response to our tariff was strong and it quickly became clear that our acquisition costs were low enough that we could extend our sales target. We therefore took on close to 50,000 customer accounts before withdrawing our tariff in early August, in line with our plan. Our customer base now generates around £30m of annualised revenue and also represents a large pool of potential customers to whom we can market our boiler.

That being the case, we released another competitive tariff in April 2014, to increase our energy revenue further and to extend coverage and awareness of the Flow brand. Since taking on new energy customers is a cash-intensive proposition, we are pleased that we have negotiated improved trading arrangements with Morgan Stanley which will improve our cash flow position. The new arrangements allow a Holding Company guarantee to replace the need for collateral to be lodged when buying energy in the wholesale markets. This has allowed more than £1m in currently lodged collateral to be paid back to the business, which can be reinvested. We believe that the continued growth of Flow Energy will bring significant benefit to the business.

Customer service
We have expanded our customer service team throughout the year, recruiting and training energy specialists to service both our energy-only customers and our key boiler customers, when they come on stream later in the year. We have implemented a new training programme to ensure that the team is in a position to provide the levels of service that we expect and we are currently designing a dedicated customer service suite to house our larger customer service operation.

Flow Battery
Flow Battery has made significant progress throughout the year. Flow Battery's compressed air backup power products have a broad range of applications in large and growing markets and 2013 provided an excellent illustration of that.

Following a competitive tender process, Flow Battery was awarded a three year framework agreement by National Grid to replace conventional lead-acid backup power units as they reach the end of their service life in Grid's network of substations in England and Wales. This network of 303 substations incorporates 3,200 backup power battery systems and the agreement therefore has the potential to provide a strong revenue stream for the Group over the coming years.

Flow Battery also received an initial order from Trane Canada. The order was placed on behalf of a large Canadian telecommunications client and the units will be installed in a telephone exchange, part of the company's national Canadian network. Receiving an order from a large multinational like Trane, for a client in a growing sector such as telecoms, will, we believe, open up many more opportunities.

Flow Battery's installation in the Co-operative datacentre continues to be the flagship example of its technology and provides an extremely strong case study in the large and rapidly growing datacentre market.

Employees
Teams across the business have expanded in 2013 and new roles have been created. Our total headcount is now 121, a significant increase over the year. Both our Ipswich and our Capenhurst offices have seen new starters across a range of departments.

The success of our business is, of course, based on the skills, experience and attitude of our people. Together, we have built an energy supply business and together we will launch our game-changing boiler in 2014. I'd personally like to thank every member of the team for their efforts in 2013 and I look forward to working with them in 2014 and beyond.

Financial Review

Set out below is an extract of the Group Financial Statements for the years ended 31 December 2013 and 2012 together with an analysis of the Group's key performance indicators.

	2013	2012
	£000	*£000*
Revenue	13,790	11
Gross profit	1,808	3
Operating loss	(7,675)	(4,776)
Loss before income tax	(10,240)	(5,000)
Loss attributable to equity shareholders	(10,032)	(5,000)
Intangible fixed assets	14,665	11,949
Tangible fixed assets	536	280
Cash at 31 December	17,361	12,148

Results

Revenue during the year ended 31 December 2013 arose from the entry into the retail energy markets as does the gross margin of £1,808,000 (2012-£3,000) being 13.1%. Operating losses continued to increase due to customer acquisition costs within the energy business and the continued investment in resources as the Group prepares for the full market launch of the boiler during 2014.

Impairment and other charges related to VPhase plc

VPhase plc entered administration in September 2013 and accordingly a charge of £2,570,000 has been taken to fully impair the value of the Group's investment.

Tax

The Group accounts for the receipt of tax relief on research and development expenditure on agreement with HMRC. An amount of £208,000 was recognised during the year ended 31 December 2013. Further claims are in preparation and in accordance with the Group's accounting policy will be recognised on their agreement.

Trading losses of £32,522,000 are being carried within the Group and are available for offset against future taxable trading profits.

Loss for the year and loss attributable to equity shareholders

The loss attributable to equity holders of Flowgroup plc amounts to £10,032,000 (2012: £5,000,000) giving a loss per share of 7.43p (2012:5.63p)

Investment in intangible fixed assets

Investment in intangible assets being the continued development costs of the microCHP boiler amounted to £3,232,000 (2012: £1,930,000). These comprise capitalised internally generated development costs and the production and installation costs of the initial production standard Flow boilers.

An additional £376,000 was spent on the development of computer software mainly within the energy business.

Investment in tangible fixed assets

During the year £437,000 (2012: £541,000) was invested in property, plant and equipment with £280,000 being on plant and machinery primarily tooling and test equipment.

The outsourcing arrangement with Jabil will enable the Group to minimise capital expenditure. The investment required to establish the production facility will be funded by Jabil and recovered by them through additional boiler production costs.

Cash and cash equivalents

The Group manages its capital to ensure that all entities are able to continue as going concerns while minimising risk and cost.

At 31 December 2013 the group had cash and cash equivalents of £17,361,000 (2012: £12,148,000) following the successful placing and open offer in December 2013 which raised £16,375,000.

The Directors have produced business plans which after taking into account the expected future cash outflows in 2014 indicate that the existing cash resources will be sufficient to fund the continuing development of the boiler, energy services and back up power businesses and take the boiler business through initial boiler sales to cash generation. Accordingly the going concern basis has been adopted in preparing the Financial Statements.

Business prospects

We believe that the Group's technology platform and innovative business models will allow it to take advantage of big shifts in consumer thinking about energy, and societal and governmental aims around energy efficiency and the decentralisation of energy generation. We have a unique opportunity, with our patented technology, to gain significant market share in a range of global markets. The Group ends 2013 in a very strong position, with a strengthened balance sheet, a beneficial manufacturing agreement with a world-leading manufacturer, a proven product and the team in place to deliver a successful organisation in line with our ambitious but achievable plans.

Tony Stiff
Group Chief Executive Officer
8 May 2014

Group Income Statement
for the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Revenue	2	13,790	11
Cost of sales		(11,982)	(8)
Gross profit		1,808	3
Administrative expenses		(9,483)	(4,779)
Operating loss	2	(7,675)	(4,776)
Finance income		44	7
Finance costs		(39)	(231)
Impairment of investment		(2,570)	-
Loss before income tax	2	(10,240)	(5,000)
Income tax	3	208	-
Loss for the year		(10,032)	(5,000)
Attributable to:			
Equity holders of the Company		(10,032)	(5,000)

The Group has no items of other comprehensive income to be recognised in the "Group statement of comprehensive income" and consequently this statement has not been shown.

Group Statement of Changes in Equity
for the year ended 31 December 2013

	Share capital £'000	Share premium £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Other reserves £'000	Total shareholders equity £'000
Balance at 1 January 2012	3,258	17,070	(8,234)	(821)	192	11,465
Proceeds from shares issued March 2012	913	3,653	-	-	-	4,566
Proceeds from shares issued October 2012	2,455	11,289	-	-	-	13,744
Share issue costs	–	(1,218)	–	–	–	(1,218)
Share-based payments	–	–	–	–	290	290
Transactions with owners	6,626	30,794	(8,234)	(821)	482	28,847
Loss for the year and total comprehensive income	–	–	(5,000)	–	–	(5,000)
Balance at 31 December 2012	6,626	30,794	(13,234)	(821)	482	23,847
Proceeds from shares issued December 2013	5,342	12,023	–	–	–	17,365
Share issue costs	–	(990)	–	–	–	(990)
Share-based payments	–	–	–	–	548	548
Transactions with owners	11,968	41,827	(13,234)	(821)	1,030	40,770
Loss for the year and total comprehensive income	–	–	(10,032)	–	–	(10,032)
Balance at 31 December 2013	11,968	41,827	(23,266)	(821)	1,030	30,738

Group Statement of Financial Position
as at 31 December 2013

	Note	As at 31 December 2013 £'000	As at 31 December 2012 £'000
ASSETS			
Non-current assets			
Intangible assets	5	14,665	11,949
Property, plant and equipment		536	280
Investments		-	2,511
		15,201	14,740
Current assets			
Inventories		15	13
Trade and other receivables		4,341	335
Cash and cash equivalents		17,361	12,148
		21,717	12,496
Total assets		36,918	27,236
LIABILITIES			
Non-current liabilities			
Borrowings	6	1,917	1,985
		1,917	1,985
Current liabilities			
Borrowings	6	107	-
Trade and other payables		4,156	1,404
		4,263	1,404
Total liabilities		6,180	3,389
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		11,968	6,626
Share premium		41,827	30,794
Retained earnings		(23,266)	(13,234)
Reverse acquisition reserve		(821)	(821)
Other reserves		1,030	482
Total shareholders' equity		30,738	23,847
Total equity and liabilities		36,918	27,236

Group Statement of Cash Flows
for the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Cash flows from operating activities			
Cash consumed by operations	7	(7,102)	(2,973)
Cash flows from investing activities			
Expenditure on intangible assets		(3,608)	(1,930)
Purchases of property, plant and equipment		(437)	(541)
Investments		(59)	-
Interest received		44	7
		(4,060)	(2,464)
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares		16,375	17,092
		16,375	17,092
Net Increase in cash and cash equivalents		5,213	11,655
Cash and cash equivalents at the beginning of the year		12,148	493
Cash and cash equivalents at the end of the year		17,361	12,148

Notes

1. Basis of preparation

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, IFRIC interpretations and the Companies Act 2006.

The Group Financial Statements have been prepared under the historical cost convention, except that they have been modified to include the revaluation of certain non-current liabilities at fair value through profit and loss.

While the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this preliminary announcement have remained unchanged from those set out in the Group's 2012 statutory financial statements. They are also consistent with those in the Group's statutory financial statements for the year ended 31 December 2013 which have yet to be published. The preliminary results for the year ended 31 December 2013 were approved by the Board of Directors on 8 May 2014.

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2013 but is derived from those financial statements which were approved by the Board of Directors on 8 May 2014. The auditors have reported on the Group's statutory financial statements and the report was unqualified and did not contain a statement under section 498 (2) or 498 (3) Companies Act 2006. The statutory financial statements for the year ended 31 December 2013 have not yet been delivered to the Registrar of Companies and will be delivered following the Company's Annual General Meeting.

The comparative figures are derived from the Group's statutory financial statements for the year ended 31 December 2012 which carried a unqualified audit report, did not contain a statement under section 498 (2) or 498 (3) Companies Act 2006 and have been filed with the Registrar of Companies.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Strategic Report. The financial position of the Group, its cash flows and liquidity position are described in the Strategic Report.

The Group is currently in the final development stage of the Flow boiler with the market launch to take place during H2 2014. During December 2013 Flowgroup plc issued additional share capital raising £16.4m after expenses and announced a manufacturing services agreement under which Jabil Circuit Inc will produce up to 390,000 boilers and provide the working capital to secure manufacture and the supply chain. On 28 March 2014 the Group announced that the Flow boiler had received CE certification from the British Standards Institution. This confirms that the boiler has passed all safety regulations and has been certified for volume production and home installation thus allowing the Group to proceed to volume manufacture.

The Directors have produced business forecasts which after taking account of expected future cash outflows through 2014 indicate that the Group has sufficient resources to operate for the foreseeable future continuing the development of the energy services and backup power businesses and taking the boiler through to volume sales and ultimate cash generation. Accordingly the Directors have adopted the going concern basis in the preparation of the Financial Statements.

Energy accounting

The energy business is now well established and supplying energy to residential customers. The revenue and cost of retail energy is derived from end user consumption (according to industry data) and contractual tariff rates. Revenue is recognised net of trade discounts. Where the energy has been sold on fixed tariffs corresponding volume purchase contracts are entered into with market counterparties to match the cost of energy supply and are not subject to fair value accounting under IAS 39. Under established Group policies no speculative positions are taken with all future purchase contracts being entered into against forward customer requirements.

Critical accounting estimates and judgements

The preparation of the Group Financial Statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the present circumstances.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group Financial Statements are disclosed below.

Impairment of intangible assets

Management have assessed indicators of impairment and conducted an impairment review of intangible assets. They have to make judgements as to the likelihood of them generating future cash flow, the period over which those cash flows will be received and what costs are attributable against them. The recoverable amount is determined using the value in use calculation. The use of this method requires the estimation of future cash flows and the selection of a suitable discount rate in order to calculate the present value of these cash flows.

In support of the assumptions, management uses a variety of sources. In addition, management have undertaken scenario analyses, including a reduction in sales forecasts which would not result in the value in use being less than the carrying value of the cash generating unit. However, if the business model is not implemented, the carrying value of the intangible assets would be impaired and would require writing down. Management stress that this merely represents one modelled scenario and they do not believe any impairment is currently required based on current circumstances.

Revenue recognition

Revenue for the supply of energy is recognised using customer tariff rates and industry settlement data specific to the energy business net of estimated supplies that are not billable based on historical patterns. Industry settlement data is the estimated quantity that the relevant system operator deems individual suppliers to have supplied. In assessing the revenue management have estimated the amounts likely to be billed following the reconciliation of industry settlement data to customer meter read data.

Impairment of trade receivables

Impairments against trade receivables are recognised where a loss is probable. As the energy business has a short trading history there is little historical evidence available to assess the likely level of bad debts and management have therefore based their assessment of the level of impairment on prior industry experience as well as the collection rates being experienced. The estimates and assumptions used to determine the level of provision will be regularly reviewed and such a review could lead to changes in the impairment methodology which may impact the income statement in future periods.

Financial liabilities

Management have considered the terms of agreement with Battelle Memorial Institute and consider the obligation for future repayments based on a percentage of mainstream sales to be a non-financial item which is inherently linked to the business model outlined above. Due to the instrument containing an embedded derivative, the Group has designated the entire instrument as fair value through profit or loss ("FVTPL").

2. Segmental result

The segment results for the year ended 31 December 2013 are as follows:

	Flow Products £'000	Flow Battery £'000	Flow Energy £'000	Total £'000
Revenue				
From external customers	-	45	13,745	13,790
Segment revenues	-	45	13,745	13,790
Operating loss	(4,785)	(349)	(1,826)	(6,960)
Other costs	(39)	-	-	(39)
Loss before income tax	(4,824)	(349)	(1,826)	(6,999)
Income tax credit	208	-	-	208
Loss for the year	(4,616)	(349)	(1,826)	(6,791)

This segment results for the year ended 31 December 2012 are as follows:

	Flow Products £'000	Flow Battery £'000	Flow Energy £'000	Total £'000
Revenue				
From external customers	-	10	1	11
Segment revenues	-	10	1	11
Operating loss	(2,992)	(714)	(1,276)	(4,982)
Other costs	(61)	-	-	(61)
Loss before income tax	(3,053)	(714)	(1,276)	(5,043)
Income tax credit	-	-	-	-
Loss for the year	(3,053)	(714)	(1,276)	(5,043)

The totals presented for the Group's operating segments reconcile to the entity's key financial figures from continuing operations as presented in its financial statements as follows:

	2013 £'000	2012 £'000
Revenue from operations		
Total segment revenues from operations	13,790	11
Group revenues from operations	13,790	11
Loss from operations		
Segment operating loss from operations	(6,960)	(4,982)
Other expenses not allocated	(3,947)	(1,724)
Capitalised development costs	3,232	1,930
Group operating loss from operations	(7,675)	(4,776)
Net finance income / (costs)	5	(224)
Impairment of investment	(2,570)	-
Group loss before income tax from continuing operations	(10,240)	(5,000)

Other expenses not allocated represent unallocated Group costs and amortisation of intangible assets.

3. Income tax

	2013 £'000	2012 £'000
Current tax	-	-
Adjustment in respect of prior years	208	-
Total income tax	208	-

The adjustment in respect of prior year originates from a tax credit received in cash arising from research and development activities.

Unrelieved tax losses of £35,522,000 (2012: £23,570,000) remain available to offset against future taxable trading profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

4. Loss per ordinary share

The loss per ordinary share is based on the loss of £10,032,000 (2012: £5,000,000) and 134,994,040 (2012: 88,796,953) ordinary shares of 5 pence each being the weighted average number of shares in issue during the year.

All shares have been included in the computation based on the weighted average number of days since issuance.

	2013	2012
Loss for the year (£'000)	(10,032)	(5,000)
Weighted average number of ordinary shares in issue	134,994,040	88,796,953
Diluted average number of ordinary shares (including share options)	148,915,509	95,875,861
Basic and diluted loss per share (pence)	(7.43)	(5.63)

5. Intangible assets

	Intellectual property £'000	MicroCHP development asset £'000	Compressed air battery development asset £'000	Other intangible assets £'000	Total £'000
Cost					
At 1 January 2012	5,787	5,546	2,046	-	13,379
Additions	-	1,930	-	-	1,930
Transfer from tangible fixed assets	-	-	-	349	349
At 31 December 2012	5,787	7,476	2,046	349	15,658
Additions	-	3,232	-	376	3,608
At 31 December 2013	5,787	10,708	2,046	725	19,266
Accumulated amortisation					
At 1 January 2012	1,882	-	1,011	-	2,893
Charge for the year	336	-	392	-	728
Transfer from tangible fixed assets	-	-	-	88	88
At 31 December 2012	2,218	-	1,403	88	3,709
Charge for the year	336	-	392	164	892
At 31 December 2013	2,554	-	1,795	252	4,601
Net Book Value					
At 31 December 2013	3,233	10,708	251	473	14,665
At 31 December 2012	3,569	7,476	643	261	11,949

All additions to the MicroCHP development asset arise from internal development.

Intangibles include internally generated product development costs capitalised in accordance with IAS 38 and purchased intellectual property held at cost less amortisation following the disposal of Energetix Micropower Limited. Other intangibles relate to purchased software.

6. Borrowings

	2013 £'000	2012 £'000
Current		
Financial liabilities designated at fair value through profit or loss	107	-
	107	-
Non-current		
Financial liabilities designated at fair value through profit or loss	1,917	1,985
	2,024	1,985

7. Cash Consumed by operations

	2013 £'000	2012 £'000
Continuing operations		
Loss before income tax	(10,240)	(5,000)
Adjustments for:		
– Depreciation	181	81
– Amortisation	892	728
– Finance income	(44)	(7)
– Finance costs	39	61
– Fair value of investment	-	170
– Share-based payments	548	290
– Tax received	208	-
– Impairment of investment	2,570	-
Changes in working capital:		
– Increase in inventories	(2)	(9)
– Increase in trade and other receivables	(4,006)	(70)
– Increase in trade and other payables	2,752	783
Cash consumed by continuing operations	(7,102)	(2,973)

8. Availability of financial statements

Copies of the full statutory financial statements will be available on 26 June 2014 from the registered office and will also be available from the Group's website at www.flowgroup.uk.com.

9. Annual General Meeting

The Annual General Meeting will be held at 12 Noon on 26 June 2014 at the Company's registered office Castlefield House, Liverpool Road, Castlefield, Manchester, M3 4SB.