28 September 2015

Flowgroup plc
(“Flowgroup” or the “Company”)

Half Yearly Report

Flowgroup plc (AIM: FLOW), which provides a range of innovative energy technologies, energy supply and energy services, announces its unaudited Interim Results for the period ended 30 June 2015.

Financial highlights

- Total revenues up 28% to £20.534m (H1 2014: £15.991m)
    - Flow Energy revenue up 27% to £20.275m (H1 2014: £15.991m)
- Operating loss of £6.944m (H1 2014: £4.712m loss)
- Cash in hand at 30 June 2015 of £23.689m (31 December 2014: £8.352m)
- Cash in hand at 24 September 2015 of £22.269m
- Successful equity fundraise raised £21.3m (net) to accelerate development of combination boiler

Operational updates

- Flow Products
    - Flow Boiler marketing campaign launched in January 2015
    - Received CE Type approval for the boiler production line and volume manufacture in April 2015
    - Subsequent volume launch delayed due to ECJ Ruling indicating a potential rise in VAT
    - Combination boiler specified, acceleration of the development cycle planned after Flow boiler launch
- Flow Energy
    - Strong revenue growth and re-entered the market with a competitive tariff – 100,000 customer accounts targeted by end of 2015
    - Flow Energy maintains 2nd place rating for lowest complaints amongst all UK domestic energy suppliers (Q1 2015)

Post period highlights

- Flow Products
    - Progressing, with Jabil and supply chain, on unit cost reductions and on improving boiler efficiency
    - Flow Brand Ambassador – installer network, systems and processes further developed for boiler roll out
    - Relaunch of the Flow boiler expected in Q1 2016
- Flow Energy
    - Signed Non-Binding Heads of Agreement for a collateral free and extended credit agreement with a major global energy trading business
    - Launch of the competitive Connect 2 tariff
    - Launched three month pilot of smart home products with customers
    - Reviewing additional energy related products for sale via Flow sales channels

Tony Stiff, Group Chief Executive Officer of Flowgroup plc, commented: *“Receiving CE Type approval and initially launching the Flow boiler early in the year was good news, as were the completion of a successful fundraise, the significant increase in Flow Energy’s revenue and the smooth re-entry into the domestic energy supply market with a new tariff. However, it was disappointing to have to push back volume launch of the boiler due to the potential risk of an increase in the VAT chargeable on our product – particularly since our soft launch in January had met our expectations in terms of customer interest.*

“The second half of the year has seen us initiating cost reduction and design enhancement programmes earlier

than planned, in close partnership with our manufacturing partner, Jabil, as well as conducting ongoing validation and testing. We also plan to accelerate growth in our energy business and to add to the range of products we can offer our customers through new strategic partnerships, moving us closer to our goal of becoming an energy services business providing an all-encompassing energy and technology offer to the broadest range of customers."

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Chief Executive Officer's review

The first six months of the year have seen significant achievements with the initial launch of the Flow boiler generating high levels of customer interest, the launch of our Flow Energy Connect tariff and completion of a successful fundraise. However, we announced in June that we had decided to delay the volume launch of the Flow boiler until Q4 2015. We now expect to restart production and to begin selling to consumers in Q1 2016. The delay has been due to a European Court of Justice ruling that the UK's reduced 5% rate of VAT on energy-saving products is in breach of EU laws with the potential that a higher rate would be applied. Since a VAT rate of 20% would add more than £500 to the cost of the Flow boiler for customers, and would increase the cost of installation by nearly 15%, the Group took the prudent decision to delay volume launch and focus on cost-down and engineering enhancements in close collaboration with Jabil. If we had continued with our volume launch and the VAT increase had been applied, our core 'boiler that pays for itself' model may not have been viable, exposing us to significant financial risk.

This is illustrated by the size of our supply chain exposure, which stood at £29 million when we made our announcement in June. In the light of the uncertain VAT position, we have reduced this to just over £6 million. This still represents a risk, but a much smaller one. Our supply chain partners were accepting and supportive of our decision.

Our strategy following the announcement has been to work to reduce the cost of the product and to make refinements to the product specification and manufacturing process. We have also made improvements to reliability and performance and have carried out further rigorous testing and validation. We have initiated our cost reduction programme and have taken action now that we believe will secure the long term viability of the product, offer and supply chain as we move into volume production. We anticipate that we will be able to pass these savings to our customers with a reduction in the sales price and while it is still unclear as to when, and if VAT on energy efficient products will be increased, we have put ourselves in a much stronger position to react if it is – and to reap the benefits in terms of our ongoing cost reduction programme if it is not.

The delay in volume launch obviously affects our sales projections for this year, as previously announced. Temporarily suspending the supply chain, although beneficial in terms of reducing risk, will also affect the ongoing availability of stock. We therefore anticipate that sales will recommence in Q1 2016. While our CE certification for the production line still stands, due to the changes we have made to the product design the Flow boiler itself will need to be reassessed for CE certification. We would expect to be re-certified before the end of 2015. Since we have made more improvements to both the product and the manufacturing process, we will also need to reapply for MCS accreditation and expect this to be granted in Q1 2016 so the feed in tariff element can be obtained.

Product strategy

Our microCHP technology platform remains the core focus of our product strategy. However, we believe that broadening our heating offer with carefully chosen products from strategic partners will allow us to provide a solution to more of the market more quickly and leverage the sales channels we have developed. We are currently in discussions with a major global business about the strength they could potentially bring to our heating offer with a range of products that would be available to Flow in the UK. Whilst we feel that the discussions have so far proved to be encouraging there can be no certainty that they will result in an agreement being reached in the short term, or at all.

We have also begun a three month customer pilot of a range of smart home products provided by Fifthplay, a company introduced to us by Jabil. The drive towards the smart home is being led by energy companies, with smart thermostats as the vanguard product. Fifthplay can provide us with a current range of smart home products, including a smart thermostat, and they have a rolling development programme for new products as well. We believe integrating these products into our offer is the right strategic decision. They fit into our brand promise of more control over energy costs, keep us competitive in the energy space and should also allow us to increase revenue whilst forging closer, longer term relationships with our energy customers, effectively tying them in with the provision of intelligent, supported products.

Added together, our range of heating products with the Flow microCHP technology at its heart and our smart home products would allow us to create a product landscape that will become a key cornerstone of our future growth. As with the Flow boiler, we will look to create similarly attractive customer offers where the cost of as many of our products as possible is borne by a 'pays for itself' model, to increase uptake. We will therefore aim to put ourselves in a position where we can deliver a broad range of products via innovative customer offers to the widest range of consumers.

While we have communicated this many times before, it is a worthwhile reminder that we believe the Flow microCHP boiler is a game-changing product. In a world of rising energy prices and uncertain household finances, its ability to deliver large, long term energy savings means it has the potential to become the *de facto* heating solution in appropriate worldwide markets. Naturally, to achieve our stated vision of 1 million annual installs of our microCHP boiler, or products incorporating our technology, will take time. We need to build volume, reduce costs and commercialise our current relationships in other countries. However, we start from a strong position. We believe we have a unique product protected by strong IP, a world-renowned manufacturing partner in Jabil, a growing brand and a business model to encourage adoption that, unlike so many other energy products, does not need financial support from Government or industry schemes in the long term. While we firmly believe adding to the range of products we can offer is the right strategic decision, this will only enhance what we continue to see as the core of our business – our microCHP technology platform.

Combination boiler update

Following the announcement on the ECJ Ruling on VAT, we concentrated the vast majority of our resources on designing and initiating our cost reduction programme. We have also worked through the initial specifications of the Combination version of our boiler. However, in order to ensure that the design process is as efficient as possible, we will not accelerate the development cycle until we have the system version of the boiler in full production and installed in customer homes. Therefore, the timing for release of the Combination boiler will be determined and announced in 2016.

Sales strategy

Since the vast majority of boiler customers prefer to speak to an installer about a potential purchase, a key part of our microCHP boiler sales strategy has always been to create a nationwide network of installers who would recommend our product in the home. We have been building this network since we opened our training centre in 2014 and we have trained and validated a growing number of installers. While we have previously believed in the necessity of also working with large companies to provide installation resource, very often these companies actually use a network of independent installers. We now see more value in creating direct relationships with carefully selected and high quality installers who will operate as Brand Ambassadors for Flow, providing a route to market for our product.

Earlier in the year, we recruited a Sales Director with extensive heating industry experience who has been driving this strategy. In-home sales will be facilitated by a cutting edge technological solution – each of our Brand Ambassadors will have access to a seamless customer sales solution delivered via iPad. This will allow them to bring our products to life, creating another key competitive advantage, since the vast majority of traditional installers do not use digital sales material. This digital sales solution can be adapted to incorporate a range of heating products, as well as the sale of smart home products, and home energy, meaning that our Brand Ambassador network becomes a route to market for our broader offer. Since our Brand Ambassadors will be visiting large numbers of customer homes on an annual basis, this represents a significant opportunity.

Our disruptive approach continues when it comes to the provision of our product – we will provide the Flow boiler directly to our Brand Ambassadors, cutting out the wholesale distributors and retaining more margin. Traditionally, boiler manufacturers sell to wholesalers who sell on to installers at a significant premium.

Cutting out the middleman leaves much more available margin, allowing us the flexibility to enhance commission levels to our Brand Ambassadors to facilitate sales, and to improve profitability.

While our Brand Ambassadors will generate their own leads, since they visit customer homes in the normal course of their business, we will also pass them warm leads. In the early part of 2015, we saw over 40,000 visitors to our website on a monthly basis. This is a significant level of interest and when we relaunch our marketing campaigns we would expect to replicate these traffic levels, generating a large number of leads that we can pass on to our Brand Ambassadors.

Partner update

We are working more closely and effectively with Jabil, our manufacturing partner, than ever before. It is fully supportive of our cost reduction and product development programmes and proved its ongoing commitment to our business by taking an 8.1% equity stake in our recent fundraise. We have also begun to leverage Jabil's global network of connections by working with Fifthplay, a specialist provider of high tech smart home products. Part of the pan-European Nico Group, Fifthplay is an expert in the rapidly-growing connected home market and have provided us with a range of connected products to trial with our energy customers. We believe this is the start of an enduring partnership that will keep us competitive in what has the potential to be a huge market.

Zopa, the innovative peer-to-peer lender and our finance provider for the microCHP boiler, has now passed the £1 billion mark when it comes to consumer lending. Part of our ongoing sales strategy includes the provision of finance options, like our 'boiler that pays for itself' model, which encourage consumer adoption of our products by removing the need to pay upfront. We believe Zopa remains the right partner to provide these options.

Our testing and evaluation agreements for the Flow microCHP boiler, with NRG Energy Inc. in the US and with a major global utility for the European market, are still in place. To ensure that they are testing the latest version of our technology, they will test the new, enhanced production version of the Flow boiler when it comes off the line. When their testing programmes are fully complete, depending on the outcome of the programmes, we will potentially move to commercial discussions.

Flow Energy

The growth profile of Flow Energy has always been positive and saw revenue grow by 27% year-on-year. Growing the business quickly in 2013 and in a measured way in 2014, we now have plans to accelerate our growth with a target of 100,000 customer accounts by the end of 2015. This customer base would generate approximately £55 million in annualised revenue.

We believe this is the beginning of a significant growth period for Flow Energy and that current market conditions and our position as a smaller supplier with a reputation for competitive prices and excellent service could see us grow to become a mid-tier supplier and beyond. Some analysts predict that 4-5 million energy customers could move away from the Big Six suppliers by 2020. Therefore, we believe the energy market represents a significant opportunity and that now is the right time to invest in our energy business for growth. We have previously withdrawn from taking on new customers over the winter period, as it is less favourable to our cashflow to take on an energy customer over the winter on a fixed Direct Debit. To accelerate our growth and increase customer retention we have launched our competitive Connect 2 tariff and decided to make this competitive tariff available to customers this coming winter.

In order to free up cash to fund our expansion, we are in the process of negotiating a collateral free and extended credit energy supply agreement with a major energy trading business. Smaller energy suppliers without strong balance sheets have to lodge high levels of collateral with their trading partners in order to hedge gas and power in the wholesale markets – this use of cash is one of the biggest barriers to growth for small energy suppliers. Removing this use of cash should allow Flow Energy to grow more quickly.

A large energy supply business would support the Group in a number of ways. It would significantly improve our revenue position, create profit more quickly and would provide a larger customer base to whom to market both our growing range of heating products and our smart home products. We believe this is the right strategic decision and will provide significant benefit to the Group.

Costs
Our costs in the first six months of the year have increased. Since it takes time to recruit and train customer service staff, we have already added headcount on the Energy side in preparation for growth, as well as to cope with the new customers we have been bringing on this year. On the Products side, we have invested in and strengthened our technical teams and we have also incurred additional costs in improving, testing and validating components as part of the manufacturing process with Jabil. Early in the year, we had significant marketing costs in building brand awareness, which paid dividends in terms of website traffic and interest via social media, where we have built large communities. We have prudently invested in systems across the business.

Market commentary
Time and time again, energy market research points to the fact that the biggest concern amongst consumers when it comes to energy is cost. Traditionally, lower energy costs have been difficult to achieve. But the rise of efficient, smart energy technology, including our patented microCHP platform, means that there are now different ways of delivering lower energy costs. It is the companies best placed to harness the power of these technologies that will succeed.

Increasingly, energy technologies will need to be self-supporting. The Government is withdrawing its previously generous support for solar, in the light of its mass adoption. While we expect the dedicated microCHP Feed-in Tariff to continue, we believe the fact that our business model does not require this support in the longer term puts us in a much stronger position than would otherwise be the case.

As in many markets, change is accelerating in energy. This is positive news for Flowgroup. Our combination of energy supply with microgeneration technology, and now a broader range of products, will allow us to take maximum advantage of the growing consumer need for cost-effective energy solutions.

Flow Battery
During the first half Flow Battery completed projects at various site locations carrying out a variety of refurbishment and replacement work on over 36 critical systems. Although revenue increased during the period sales have been lower than anticipated and we continue to monitor performance and value to shareholders.

Summary
Receiving CE Type approval and initially launching the Flow boiler early in the year was good news, as were the completion of a successful fundraise, the significant increase in Flow Energy's revenue and the smooth re-entry into the domestic energy supply market with a new tariff. However, it was disappointing to have to push back volume launch of the boiler due to the potential risk of an increase in the VAT chargeable on our technology – particularly since our soft launch in January had met our expectations in terms of customer interest.

The second half of the year has seen us initiating cost reduction and design enhancement programmes earlier than planned, in close partnership with our manufacturing partner, Jabil, as well as conducting ongoing validation and testing. We also plan to accelerate growth in our energy business and to add to the range of products we can offer our customers through new strategic partnerships, moving us closer to our goal of becoming an energy services business providing an all-encompassing energy and technology offer to the broadest range of customers.

Tony Stiff
25 September 2015

Unaudited Group Income Statement

	Note	Unaudited 6 months to 30 June 2015 £'000	Unaudited 6 months to 30 June 2014 £'000	Audited Year to 31 December 2014 £'000
Revenue		**20,534**	15,991	33,359
Cost of sales		**(18,036)**	(14,817)	(31,137)
Gross profit		**2,498**	1,174	2,222
Administrative expenses		**(9,442)**	(5,886)	(12,185)
Operating loss		**(6,944)**	(4,712)	(9,963)
Net finance (expense) / income		**(47)**	10	(133)
Loss before income tax		**(6,991)**	(4,702)	(10,096)
Income tax		**-**	240	657
Loss for the financial year		**(6,991)**	(4,462)	(9,439)
Attributable to:				
Equity holders of the Company		**(6,991)**	(4,462)	(9,439)
Basic and diluted loss per share				
From continuing operations	4	**2.71p**	1.86p	3.94p

The Group has no items of other comprehensive income in any period above and consequently no statement of other comprehensive income has been presented.

The notes are an integral part of these Unaudited Group Interim Financial Statements.

Unaudited Group Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Other reserves £'000	Total shareholders' equity £'000
Balance at 1 January 2014	11,968	41,827	(23,266)	(821)	1,030	30,738
Proceeds from shares issued	7	23	-	-	-	30
Share based payments	-	-	-	-	326	326
Transactions with owners	7	23	-	-	326	356
Loss for the financial period	-	-	(4,462)	-	-	(4,462)
Balance at 30 June 2014	**11,975**	**41,850**	**(27,728)**	**(821)**	**1,356**	**26,632**
Share based payments	-	-	-	-	366	366
Transactions with owners	-	-	-	-	366	366
Loss for the financial period	-	-	(4,977)	-	-	(4,977)
Balance at 31 December 2014	**11,975**	**41,850**	**(32,705)**	**(821)**	**1,722**	**22,021**
Proceeds from shares issued	3,899	18,341	-	-	-	22,240
Share issue costs	-	(954)	-	-	-	(954)
Share based payments	-	-	-	-	473	473
Transactions with owners	3,899	17,387	-	-	473	21,759
Loss for the financial period	-	-	(6,991)	-	-	(6,991)
Balance at 30 June 2015	**15,874**	**59,237**	**(39,696)**	**(821)**	**2,195**	**36,789**

The notes are an integral part of these Unaudited Group Interim Financial Statements.

Unaudited Group Statement of Financial Position

	Note	Unaudited as at 30 June 2015 £'000	Unaudited as at 30 June 2014 £'000	Audited as at 31 December 2014 £'000
Assets				
Non-current assets				
Intangible assets	5	**18,249**	15,790	17,268
Property, plant and equipment		**555**	537	624
		18,804	16,327	17,892
Current assets				
Inventories		**457**	130	160
Trade and other receivables		**8,453**	4,076	7,315
Current tax receivable		**-**	-	416
Cash and cash equivalents		**23,689**	11,464	8,357
		32,599	15,670	16,248
Total assets		**51,403**	31,997	34,140
Liabilities				
Non-current liabilities				
Borrowings		**1,191**	1,917	1,135
Current liabilities				
Trade and other payables		**12,399**	3,341	9,960
Borrowings		**1,024**	107	1,024
		13,423	3,448	10,984
Total liabilities		**14,614**	5,365	12,119
Equity				
Capital and reserves attributable to equity holders of the Company				
Share capital		**15,874**	11,975	11,975
Share premium account		**59,237**	41,850	41,850
Retained earnings		**(39,696)**	(27,728)	(32,705)
Reverse acquisition reserve		**(821)**	(821)	(821)
Other reserves		**2,195**	1,356	1,722
Total shareholders' equity		**36,789**	26,632	22,021
Total equity and liabilities		**51,403**	31,997	34,140

The notes are an integral part of these Unaudited Group Interim Financial Statements.

Unaudited Group Statement of Cash Flows

	Note	Unaudited 6 months to 30 June 2015 £'000	Unaudited 6 months to 30 June 2014 £'000	Audited Year to 31 December 2014 £'000
Cash flows from operating activities				
Cash consumed by operations	6	**(4,531)**	(4,202)	(5,242)
Cash flows from investing activities				
Expenditure on intangible assets		**(1,306)**	(1,600)	(3,416)
Purchase of property, plant and equipment		**(126)**	(135)	(400)
Interest received		**9**	10	24
Net cash used in investing activities		**(1,423)**	(1,725)	(3,792)
Cash flows from financing activities				
Net proceeds from the issue of ordinary shares		**21,286**	30	30
Net cash generated from financing activities		**21,286**	30	30
Net increase / (decrease) in cash and cash equivalents		**15,332**	(5,897)	(9,004)
Cash and cash equivalents at beginning of period		**8,357**	17,361	17,361
Cash and cash equivalents at end of period		**23,689**	11,464	8,357

The notes are an integral part of these Unaudited Group Interim Financial Statements.

Notes to the Unaudited Group Interim Financial Statements

1 Nature of operations and general information

Flowgroup plc ("the Company") and its subsidiaries (together "the Group") develop and commercialise alternative and efficient energy products and supply home energy. Our businesses are:

- Flow Products – microCHP energy generation
- Flow Energy – energy supply and services
- Flow Battery – compressed air back-up for the protection of essential systems

Flowgroup plc is the Group's ultimate parent company and is incorporated in England and Wales. The address of the registered office is Castlefield House, Liverpool Road, Castlefield, Manchester M3 4SB. The Group trades through a number of subsidiaries, whose places of business are Capenhurst Technology Park, Capenhurst, Chester, CH1 6EH and Felaw Maltings, 48 Felaw Street, Ipswich, IP2 8PN. Flowgroup plc's shares are quoted on the AIM Market of the London Stock Exchange.

Flowgroup plc's Unaudited Group Interim Financial Statements are presented in pounds sterling (£).

2 Basis of preparation and accounting policies

These Unaudited Group Interim Financial Statements are for the six months ended 30 June 2015. They have not been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group Financial Statements for the year ended 31 December 2014.

The financial information set out in these Unaudited Group Interim Financial Statements does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group Statement of Financial Position as at 31 December 2014 and the Group Income Statement, Group Statement of Cash Flows and associated notes for the year then ended have been extracted from the Group's Financial Statements as at 31 December 2014 which have been delivered to the Registrar of Companies. The auditors' report on these financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or section 498(3) of the Companies Act 2006.

The Unaudited Group Interim Financial Statements for the six months ended 30 June 2015 have not been audited or reviewed in accordance with International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

The Unaudited Group Interim 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 and investments at fair value through profit and loss.

These Unaudited Group Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2014 which have been applied consistently throughout the Group for the purposes of preparing these Unaudited Group Interim Financial Statements.

The Unaudited Group Interim Financial Statements have been approved by the Board of Directors on 25 September 2015.

Going concern

During May 2015 the Group raised net proceeds of £21.3m and in December 2014 announced the extension of the manufacturing services agreement with Jabil Circuit Inc. to cover the production of up to

500,000 boilers. The directors have produced business forecasts which indicate that the Group has sufficient resources to operate for the foreseeable future.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Unaudited Group Interim Financial Statements.

3 Segmental results

The segment results are as follows:

	Unaudited 6 months to 30 June 2015 £'000	**Unaudited 6 months to 30 June 2014 £'000**	**Audited Year to 31 December 2014 £'000**
Revenue			
Flow Battery	259	-	82
Flow Energy	20,275	15,991	33,277
	20,534	**15,991**	**33,359**
Operating Loss			
Flow Products	4,357	2,885	5,955
Flow Battery	335	305	524
Flow Energy	764	1,039	2,514
	5,456	**4,229**	**8,993**
Unallocated costs	2,737	2,069	4,132
Capitalisation of development costs	(1,249)	(1,586)	(3,162)
	6,944	**4,712**	**9,963**

4 Loss per ordinary share

The calculation of the loss per ordinary share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post-tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

	Unaudited 6 months to 30 June 2015	**Unaudited 6 months to 30 June 2014**	**Audited Year to 31 December 2014**
Loss for the period (£'000)	**(6,991)**	(4,462)	(9,439)
Weighted average number of ordinary shares in issue	**258,031,560**	239,402,466	239,449,657
Basic and diluted loss per share (pence)	**(2.71)**	(1.86)	(3.94)

5 Intangible assets

	Intellectual property £'000	**MicroCHP development asset £'000**	**Compressed air battery development asset £'000**	**Other intangible assets £'000**	**Total £'000**
Net book value at 1 January 2015	**2,897**	**13,870**	**-**	**501**	**17,268**
Additions	-	1,249	-	57	1,306
Amortisation	(168)	-	-	(157)	(325)
Net book value at 30 June 2015	**2,729**	**15,119**	**-**	**401**	**18,249**
Net book value at 1 January 2014	**3,233**	**10,708**	**251**	**473**	**14,665**
Additions	-	1,586	-	14	1,600
Amortisation	(168)	-	(196)	(111)	(475)
Net book value at 30 June 2014	**3,065**	**12,294**	**55**	**376**	**15,790**
Net book value at 1 January 2014	**3,233**	**10,708**	**251**	**473**	**14,665**
Additions	-	3,162	-	254	3,416
Amortisation	(336)	-	(251)	(226)	(813)
Net book value at 31 December 2014	**2,897**	**13,870**	**-**	**501**	**17,268**

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 intangible assets relate to purchased software.

6 Cash consumed by operations

	Unaudited 6 months to 30 June 2015 £'000	Unaudited 6 months to 30 June 2014 £'000	Audited Year to 31 December 2014 £'000
Cash flows			
Loss before income tax	(6,991)	(4,702)	(10,096)
Adjustments for:			
Depreciation	195	134	312
Amortisation	325	475	813
Finance Income	(9)	(10)	(24)
Finance costs	56	-	135
Share based payments	473	326	692
Tax received	416	241	241
Impairment in investment	-	-	-
Increase in inventories	(297)	(115)	(145)
Decrease / (increase) in trade and other receivables	(1,138)	265	(2,974)
(Decrease) / increase in trade and other payables	2,439	(816)	5,804
Total cash consumed by operations	**(4,531)**	**(4,202)**	**(5,242)**