

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom, or from another appropriately authorised independent financial adviser if you are resident in a territory outside the United Kingdom.

If you have sold or otherwise transferred all your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact immediately your stockbroker, bank or other agent through whom the sale or transfer was effected.

The Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of all the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to effect the import of such information.



FLOWGROUP PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with company number 05819555)

Sale of Flow Energy Limited

Notice of General Meeting

This document should be read in its entirety. Your attention is drawn to the letter from the Chairman of the Company set out on pages 7 to 11 of this document which includes a recommendation from the Directors that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of a General Meeting of the Company to be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG at 9.00 a.m. on 27 April 2018, is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed with this document. Whether or not you intend to attend the General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it so as to be received by Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA no later than 9.00 a.m. on 25 April 2018.

Notice to all investors

Smith Square Partners LLP ("**Smith Square**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to Flowgroup and no-one else in connection with the Sale and will not be responsible to anyone other than Flowgroup for providing the protections afforded to clients of Smith Square nor for providing advice in connection with the Sale or any matter referred to herein. Neither Smith Square nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Smith Square in connection with this document, any statement contained herein, the Sale or otherwise.

Cenkos Securities plc ("**Cenkos**") which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting solely for Flowgroup in relation to the Sale in its capacity as Nominated adviser and broker and no-one else and will not be responsible to anyone other than Flowgroup for providing the protections afforded to clients of Cenkos nor for providing advice in relation to Flowgroup or any other matter referred to in this document.

Forward-looking statements

This document contains "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "anticipates", "expects", "may", "will", "could", "would", "shall", "should" or similar expressions or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions.

These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things, Flowgroup's results of operations, financial condition, prospects, growth, strategies and the industries in which Flowgroup operates.

Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Flowgroup undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. The information contained in this document is subject to change without notice and Flowgroup, Smith Square and Cenkos do not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein, save as required by law, regulation or the AIM Rules.

Website

A copy of this document is available on the Company's website (www.flowgroup.uk.com).

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DEFINITIONS

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

"AIM"	the market of that name, operated by the London Stock Exchange
"AIM Rules"	the rules for AIM companies as published by the London Stock Exchange from time to time
"Board"	the board of Directors of the Company
"Cenkos"	Cenkos Securities plc
"Company Convertible Loan Notes"	Convertible Unsecured Loan Notes issued to Palm and Lombard Odier as part of the Company's May 2017 fundraising which carry a 7.5% paid in kind (or PIK) coupon (payable quarterly) and are convertible into an equivalent number of Preference Shares of £1 each
"Completion"	the completion of the Sale in accordance with the terms of the Sale and Purchase Agreement
"Continuing Group"	the assets and liabilities of the Group which remain following the sale of Flow Energy and the mCHP Assets
"Co-op Energy"	Co-Operative Energy Limited
"Directors"	the directors of the Company
"FEL Working Capital Loan Notes"	funding facility loan notes provided by Palm Ventures and Lombard Odier to Flow Energy in February 2018 to support its working capital needs
"Flowgroup" or "Company"	Flowgroup plc
"Flow Energy"	Flow Energy Limited, the main operating subsidiary of the Company
"Form of Proxy"	the form of proxy enclosed with this document
"General Meeting"	the general meeting of the Company to be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG at 9.00 a.m. on 27 April 2018, or any adjournment to that meeting
"Government"	the Government of the United Kingdom
"Group"	the Company together with its subsidiary undertakings
"iGEN"	iGEN Technologies Inc.
"Lombard Odier"	Lombard Odier Investment Managers Group (LOIM) in respect of funds or accounts managed by LOIM entities
"London Stock Exchange"	London Stock Exchange plc
"mCHP Assets"	the microCHP boiler technology and intellectual property

"Net Working Capital"	the net working capital of Flow Energy
"Neville Registrars"	Neville Registrars Limited
"Notice of General Meeting"	the notice convening the General Meeting which is set out at the end of this document
"Ordinary Shares"	ordinary shares of 0.1 pence each in the capital of the Company
"Palm"	Palm Global Small Cap Master Fund LP, Palm Active Energy LP, and Provincial House Estates Limited (UK)
"Preference Shares"	zero coupon preference shares of £1 each in the capital of the Company that shall each have the right to convert into approximately 83.33 new Ordinary Shares at the date of this document
"Resolution"	the ordinary resolution contained in the Notice of General Meeting
"Sale"	the proposed sale of Flow Energy to Co-op Energy pursuant to the terms of the Sale and Purchase Agreement
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 10 April 2018 between the Company and Co-op Energy
"Shareholders"	holders of Ordinary Shares
"Shell"	Shell Energy Europe Limited, the principal energy supplier to Flow Energy
"Smith Square"	Smith Square Partners LLP

EXPECTED TIMETABLE OF KEY EVENTS

Date of this document	11 April 2018
Latest time and date for receipt of completed Forms of Proxy to be valid at the General Meeting	9.00 a.m. on 25 April 2018
Date and time of the General Meeting	9.00 a.m. on 27 April 2018
Anticipated Completion of the Sale	30 April 2018

PART I – LETTER FROM THE CHAIRMAN OF FLOWGROUP PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with company number 05819555)

Directors:

Alan Lovell (Non-Executive Chairman)
Nigel Canham (Chief Financial Officer)
Andrew Beasley (Managing Director, Flow Energy)
David Grundy (Non-Executive Director)
Bradley Tirpak (Non-Executive Director)
Brian F. Carroll (Non-Executive Director)
Jamie Brooke (Non-Executive Director)

Registered office:

Castlefield House
Liverpool Road
Castlefield
Manchester M3 4SB

11 April 2018

To the holders of Ordinary Shares and for information only, to holders of Options

Dear Shareholder,

Sale of Flow Energy Limited and Notice of General Meeting

1. INTRODUCTION

The Company announced on 10 April 2018 that it has entered into a conditional sale and purchase agreement (the "**Sale and Purchase Agreement**") with Co-operative Energy Limited ("**Co-op Energy**"), for the sale of the entire share capital of Flow Energy Limited ("**Flow Energy**"), its domestic energy supply business, for a headline purchase price of £9.25 million, subject to the adjustments, terms and conditions summarised in section 2 of this document (*Summary terms of the proposed Sale of Flow Energy*).

Due to its size, the Sale is deemed to be a disposal resulting in a fundamental change in the business of the Company pursuant to Rule 15 of the AIM Rules and therefore requires approval by Shareholders at a general meeting. Accordingly, the necessary Resolution will be put to Shareholders during the General Meeting of the Company which has been convened for 27 April 2018, notice of which is set out at the end of this document.

The principal purpose of this document is to give you the reasons for, and details of, the Sale, to explain why the Directors consider that it is in the best interests of the Company and its Shareholders as a whole, and to recommend that you vote in favour of the Resolution.

In addition, Part II of this document sets out the summary unaudited results of the Group for 2017.

2. SUMMARY TERMS OF THE PROPOSED SALE OF FLOW ENERGY

Pursuant to the terms of the Sale and Purchase Agreement, the headline purchase price payable to the Company for the Sale of Flow Energy is £9.25 million subject to adjustments to reflect the crystallisation of payments to suppliers, working capital and other matters. In relation to working capital, the consideration is subject to an adjustment on a pound for pound basis to the extent actual Net Working Capital at 30 April 2018 is less than or more than target Net Working Capital at 30 April 2018 (such adjustment to be calculated through a completion accounts process). The adjusted cash consideration will be funded from Co-op Energy's existing resources.

In addition, the net balances on Flow Energy's third party collateral deposit accounts as at Completion will be remitted to the Company as soon as practicable following Completion. The gross cash proceeds (net of transaction fees) will be: i) used to procure the repayment to Palm and Lombard Odier of the FEL Working Capital Loan Notes, and ii) distributed amongst the Company Convertible Loan Note holders, Palm and Lombard Odier, and other creditors of the Company in line with the strategy following Completion set out below.

The Sale is conditional on Shareholder approval (requiring an ordinary resolution) at the General Meeting of the Company to be held on 27 April 2018. The Sale is also conditional on the execution (prior to the date of the General Meeting) of a revised supply agreement in respect of the future terms of energy supply by Shell to Flow Energy on substantively the same terms as have been agreed between Shell and Co-op Energy and appended to the sale and purchase agreement governing the Sale.

Co-op Energy is a domestic energy supply business based in Warwick and is a wholly owned subsidiary of The Midcounties Co-operative.

The Company's total liability under all warranties and indemnities in the sale and purchase agreement will be £1, as Co-op Energy will take out appropriate warranty and indemnity insurance cover.

Following Completion, unless an appropriate opportunity to undertake a reverse takeover as set out in AIM rule 14 is pursued, the Company intends to consider options available to it to effect the distribution of the proceeds of the Sale to the Company Convertible Loan Note holders and other creditors of the Company.

The Company has Company Convertible Loan Notes in issue with a nominal value, including accrued interest, of £16.7 million (before taking account of accelerated interest amounts of £2.9 million arising on the conversion of the Company Convertible Loan Notes into Preference Shares or a change of control of Flowgroup). The Company Convertible Loan Notes (and the Preference Shares) rank in priority to the Ordinary Shares and it is therefore expected that the distribution to Shareholders will be £nil under all likely scenarios following Completion.

The effect of the Sale will be to divest the Company of all of its main trading business, activities and assets. In accordance with AIM Rule 15, the Company is required to seek to cancel the admission of the Ordinary Shares if it does not propose to complete a reverse takeover within six months of Completion. If the Company does not complete a reverse takeover, the Board would propose a resolution to cancel the admission of its Ordinary Shares to trading on AIM.

3. BACKGROUND TO AND REASONS FOR THE SALE

On 30 November 2017, Flowgroup announced that it had taken a view that the Group should maintain a total number of customer fuel accounts of just under 250,000, a level above which regulatory payments by Flow Energy would increase significantly. At the same time, the Board highlighted that the Company might require additional short term seasonal working capital funding.

On 21 February 2018, the Company announced that the Board had concluded that such additional funding was required and that a temporary funding facility of up to £5.0 million had been agreed and provided to Flow Energy in the form of the FEL Working Capital Loan Notes by Palm and Lombard Odier, until 31 August 2018. Drawn amounts under this facility will total £2.1 million at Completion.

The team at Flowgroup has made significant progress since the fundraising announced on 24 May 2017, improving the operational efficiency of the business, delivering substantially all the anticipated cost savings and bringing forward profitability to the year commencing July 2018. Over the same period, the team has maintained outstanding levels of customer service (the Company was ranked in the top 2 per Which? energy supplier rankings at January 2018) and improved the quality of Flow Energy's customer base, improving gross margins and routes to market, while significantly downsizing the microCHP business and minimising other non-Flow Energy costs.

While the Group has continued to trade in line with the Board's expectations, the headwinds facing challenger suppliers, in particular the impact of the Government's price cap and the significant number of new entrants to the market pursuing aggressive pricing strategies, have continued to strengthen.

The response of the "big six" energy suppliers to Government policy developments is considered likely by the Company's management to be, in many instances, to lower their standard variable tariffs. This would lead to an erosion of the differential between the prices challenger suppliers are able to offer and the tariffs being offered by the big six. The Board believes this would be likely to have a significant adverse impact on consumers' propensity to switch suppliers. In addition, the recent very cold weather, while beneficial to earnings given the Group's hedging strategy, also increases the peak funding requirements of the business. This arises as the revenues from the additional energy consumption are recovered through the direct debit cycle over the next 12 to 18 months, while the supply costs of the additional energy consumed are paid for by Flow Energy in the short term.

The Board has continued to work with its advisers on the strategic positioning of the Group and its financing requirements, but it has become clear that in order for the business to continue to operate in the near and medium term, it would need to raise substantial additional capital. Palm and Lombard Odier have separately indicated to the Board that they are not in a position to provide additional funding to the Group and so are supportive of a sale of Flow Energy. The Board has also been advised that an equity fundraising would not be feasible in the current circumstances.

The Board has had discussions with Co-op Energy as well as with a number of other potentially interested parties. In the context of the factors set out above, and its obligation to consider the interests of all stakeholders (including those of Shareholders and creditors), the Board has reluctantly concluded that the sale of the Flow Energy business to Co-op Energy and the subsequent closure of the remainder of the Group is the only realistic course of action open to the Company, and unanimously recommends that Shareholders vote in favour of the resolutions to be proposed at the General Meeting.

The Company Convertible Loan Notes are convertible into either Preference Shares or Ordinary Shares. On conversion into either Preference Shares or Ordinary Shares, such Preference Shares or Ordinary Shares would carry votes exercisable at a general meeting of the Company totalling, in aggregate, over 50 per cent. of the Company's then issued share capital.

The holders of Preference Shares are able to vote at all general meetings of the Company as if the Preference Shares had been fully converted into Ordinary Shares, while also ranking in seniority and preference to the holders of Ordinary Shares on a winding up or liquidation of the business.

4. INFORMATION ON FLOW ENERGY

Flow Energy is an energy supply business providing gas and electricity to approximately 230,000 domestic fuel accounts. The business is based in Ipswich, UK.

For the year ended 31 December 2016, Flow Energy had audited revenues of £98.4 million and made an audited net loss of £9.2 million. As at 31 December 2016, Flow Energy had net liabilities of £21.7 million.

5. FINANCIAL EFFECTS OF THE SALE

The total gross cash proceeds (net of transaction fees) will be: i) used to procure the repayment to Palm and Lombard Odier of the FEL Working Capital Loan Notes, and ii) distributed amongst the Company Convertible Loan Note holders, Palm and Lombard Odier, and other creditors of the Company in line with the strategy following Completion set out below.

6. SALE OF MICROCHP TECHNOLOGY AND INTELLECTUAL PROPERTY

Flowgroup has also agreed the sale of its microCHP boiler technology and intellectual property (the "mCHP Assets") to iGEN for an upfront consideration of CAD 25,000 (circa £14,000) in cash with potential royalty payments of up to a further CAD 1,411,000 (circa £789,000) in the event iGEN is able to successfully commercialise the microCHP technology. To the extent future royalty payments are received where the Company is no longer in a position to receive such royalties, these would be distributed to the Company Convertible Loan Note holders. The upfront consideration is to be funded from iGEN's existing resources and shall be allocated among the mCHP Assets as follows: Intellectual Property: CAD 1; Patents: CAD 1; and the balance of the mCHP Assets: CAD 24,998. For the year ended 31 December 2016, Flow Products Limited, of which the mCHP business was the primary activity, generated an audited net loss of £17.7 million and had net liabilities of £51.7 million.

7. STRATEGY FOLLOWING COMPLETION

Following the sale of Flow Energy and the mCHP Assets, the remaining liabilities of the Continuing Group will be predominantly comprised of liabilities in respect of transaction costs, closure costs, admission cancellation costs and amounts owed to external creditors currently estimated at circa £2.9 million.

Following Completion, unless an appropriate opportunity to undertake a reverse takeover as required under AIM rule 15 is pursued, the Company will consider options available to it to effect the distribution of the proceeds of the Sale to stakeholders. Under all likely scenarios following Completion, the cash distribution to Shareholders will be £nil. The cash distribution to the Group's Company Convertible Loan Note holders (or Preference Share holders, should the Company Convertible Loan Notes be converted into Preference Shares), after repayment of the FEL Working Capital Loan Notes will be materially below the face value of the Company Convertible Loan Notes and/or Preference Shares held by them. The principal creditors and contingent liabilities of the Company following the disposal of Flow Energy will relate to the costs of terminating the remaining activities of the Company and discharging the remaining liabilities relating to the mCHP and battery businesses.

8. ACTION TO BE TAKEN

The attached Notice of the General Meeting, to be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG at 9.00 a.m. on 27 April 2018, sets out the Resolution.

A Form of Proxy for use at the General Meeting is enclosed. Whether or not you intend to attend the General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it so as to be received by Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible but, in any event, no later than 9.00 a.m. on 25 April 2018.

The return of the Form of Proxy will not prevent you from attending the General Meeting and voting in person if you so wish.

9. RECOMMENDATION

For the reasons set out above, the Directors consider that the Sale is in the best interests of the Company and its Shareholders and unanimously recommend that Shareholders vote in favour of the Resolution, as they intend to do in respect of their aggregate holdings of 3,851,244 Ordinary Shares, representing 0.27 per cent. of the issued share capital of the Company.

Yours faithfully



Alan Lovell
Non-Executive Chairman

PART II – SUMMARY UNAUDITED RESULTS FOR 2017

Set out below are the summary unaudited results of the Group for the financial year ended 31 December 2017 which have been extracted from unaudited management accounts. The Company expects to issue the full audited 2017 results following completion of the Sale of Flow Energy.

The Group expects to report that in the year ended 31 December 2017, its revenues increased by 40% to £138.1 million (2016: £98.8 million) and a gross profit (before exceptional items) of £8.3 million (2016: £7.1 million). After exceptional items totalling approximately £1.9 million (2016 £22.1 million), the Group expects to report a loss before taxation of approximately £20.8 million (2016 £45.8 million). As at 31 December 2017, net liabilities were £23.6 million (31 December 2016: £14.7million).

The summary unaudited management accounts are set out below.

SUMMARY UNAUDITED GROUP MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

Unaudited Group Income Statement

	Unaudited Year to 31 December 2017 £'000	Unaudited Year to 31 December 2017 £'000	Unaudited Year to 31 December 2017 £'000	Audited Year to 31 December 2016 £'000	Audited Year to 31 December 2016 £'000	Audited Year to 31 December 2016 £'000
	Before exceptional items	Exceptional items (Note 2)	Total	Before exceptional items	Exceptional items (Note 2)	Total
Revenue	138,136	-	138,136	98,796	-	98,796
Cost of sales	(129,822)	-	(129,822)	(91,732)	(3,277)	(95,009)
Gross profit	8,314	-	8,314	7,064	(3,277)	3,787
Administrative expenses	(24,929)	(1,919)	(26,848)	(30,612)	(18,823)	(49,435)
Operating loss	(16,615)	(1,919)	(18,534)	(23,548)	(22,100)	(45,648)
Net finance costs			(2,242)			(119)
Loss before income tax			(20,776)			(45,767)
Income tax			360			1,129
Loss for the financial period / year			(20,416)			(44,638)

Unaudited Group Statement of Financial Position

	Unaudited as at 31 December 2017 £'000	Audited as at 31 December 2016 £'000
	<u>£'000</u>	<u>£'000</u>
ASSETS		
Non-current assets		
Intangible assets	1,099	1,973
Property, plant and equipment	411	658
	<u>1,510</u>	<u>2,631</u>
Current assets		
Inventories	-	495
Trade and other receivables	29,873	20,631
Current tax receivable	722	1,231
Cash and cash equivalents	1,134	5,850
	<u>31,729</u>	<u>28,207</u>
Total assets	<u>33,239</u>	<u>30,838</u>
LIABILITIES		
Non-current liabilities		
Borrowings	17,687	2,182
Provisions	536	-
	<u>18,223</u>	<u>2,182</u>
Current liabilities		
Trade and other payables	37,575	43,402
Provisions	1,027	-
	<u>38,602</u>	<u>43,402</u>
Total liabilities	<u>56,825</u>	<u>45,584</u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	16,983	15,876
Share premium account	67,981	59,238
Accumulated losses	(113,044)	(92,628)
Reverse acquisition reserve	(821)	(821)
Other reserves	5,315	3,589
Total shareholders' equity	<u>(23,586)</u>	<u>(14,746)</u>
Total equity and liabilities	<u>33,239</u>	<u>30,838</u>

Unaudited Group Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Accumul ated losses £'000	Reverse acqui- sition reserve £'000	Other reserves £'000	Total Share- holders' Equity £'000
Balance at 1 January 2016	15,876	59,238	(47,990)	(821)	2,686	28,989
Share based payments	-	-	-	-	903	903
Transactions with owners	-	-	-	-	903	903
Loss for the financial period	-	-	(44,638)	-	-	(44,638)
Balance at 31 December 2016	15,876	59,238	(92,628)	(821)	3,589	(14,746)
Proceeds from shares issued	1,107	9,954	-	-	-	11,061
Share issue costs	-	(1,211)	-	-	-	(1,211)
Issue of convertible unsecured loan notes	-	-	-	-	1,038	1,038
Share based payments	-	-	-	-	688	688
Transactions with owners	1,107	8,743	-	-	1,726	11,576
Loss for the financial period	-	-	(20,416)	-	-	(20,416)
Balance at 31 December 2017	16,983	67,981	(113,044)	(821)	5,315	(23,586)

Unaudited Group Statement of Cash Flows

	Unaudited Year to 31 December 2017 £'000	Audited Year to 31 December 2016 £'000
Cash flows from operating activities		
Cash consumed by operations	<u>(27,012)</u>	<u>(6,839)</u>
Cash flows from investing activities		
Expenditure on intangible assets	(2,872)	(5,524)
Purchase of property, plant and equipment	(187)	(644)
Interest received	5	13
Net cash used in investing activities	<u>(3,054)</u>	<u>(6,155)</u>
Cash flows from financing activities		
Net proceeds from the issue of ordinary shares	9,850	-
Issue of convertible unsecured loan notes	15,500	-
Net cash generated from financing activities	<u>25,350</u>	<u>-</u>
Net decrease in cash and cash equivalents	(4,716)	(12,994)
Cash and cash equivalents at beginning of the year	<u>5,850</u>	<u>18,844</u>
Cash and cash equivalents at end of the year	<u><u>1,134</u></u>	<u><u>5,850</u></u>

Notes to the Unaudited Group Management Accounts

1 Basis of preparation and accounting policies

The financial information for the year ended 31 December 2017 has been extracted from unaudited management accounts and does not constitute the Group's financial statements. Financial statements for the year ended 31 December 2017 have not yet been prepared, audited or delivered to the Registrar of Companies.

The accounting policies used in the preparation of the unaudited financial information are consistent with those used in the interim report for the 6 months ended 30 June 2017 and expected to be adopted in the annual financial statements for the year ended 31 December 2017.

The comparative figures are derived from the Group's financial statements for the year ended 31 December 2016 which carried an unqualified audit report, did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

2 Exceptional items

	Unaudited Year to 31 December 2017 £'000	Audited Year to 31 December 2016 £'000
Adjustments to recognised assets and liabilities	(483)	22,100
Reorganisation costs	2,402	-
	1,919	22,100

Further reorganisation costs comprising redundancy, empty property and contract settlements have been recognised during the year ended 31 December 2017 in respect of both the Flow Products and Flow Energy businesses. Adjustments to recognised assets and liabilities comprise the net of release of previous provisions, the gain on the settlement of long term creditors and the write off of fixed assets.

Exceptional items recognised during the year ended 31 December 2016 arise from the scaling back of the operations of the Flow Products division and comprise reductions in the balance sheet value of inventories and intangible assets together with adjustments to the carrying values of directly related prepayments and liabilities.

FLOWGROUP PLC

(incorporated and registered in England and Wales under the Companies Act 1985 with company number 05819555)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the General Meeting of Flowgroup plc (the "**Company**") will be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG on 27 April 2018 at 9.00 a.m. to consider, and if thought fit pass, the following resolution which will be proposed as an ordinary resolution.

ORDINARY RESOLUTION

THAT the proposed sale by the Company of the entire issued share capital of Flow Energy Limited (the "**Sale**") pursuant to and on the terms and subject to the conditions set out in the agreement dated 10 April 2018 between (1) the Company and (2) Co-op Energy Limited (the "**Sale and Purchase Agreement**"), as more particularly described in the circular from the Company to its shareholders dated 11 April 2018, and the related documentation to be entered into pursuant to the Sale and Purchase Agreement, be and are hereby approved and the directors of the Company (the "**Directors**") be and are hereby authorised to effect the Sale and complete the Sale and Purchase Agreement with such minor modifications, variations, amendments, revisions, waivers or extensions of or to the Sale and Purchase Agreement or related documentation as the Directors or any duly authorised committee of the Directors think fit and the Directors or any duly authorised committee of the Directors be and are hereby authorised to do all other acts or things necessary or desirable in order to give effect to or facilitate or otherwise in connection with the Sale.

Registered office
Castlefield House
Liverpool Road
Castlefield
Manchester M3 4SB

By Order of the Board
David Lloyd
Company Secretary
Dated 11 April 2018

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 6.00 p.m. on 25 April 2018 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 Form of Proxy 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 Form of Proxy.
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 Form of Proxy are set out in the notes to the Form of Proxy. 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 Form of Proxy explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the Form of Proxy 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 9.00 a.m. on 25 April 2018.

In the case of a member which is a company, the Form of Proxy must be executed under its common seal or as a deed or signed on its behalf by an attorney for the company or a duly authorised officer of the company. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

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 6.00 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 1,423,583,793 ordinary shares of 0.1 pence 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 6.00 p.m. on the day immediately prior to the date of posting of this Notice of General Meeting is 1,423,583,793.