

**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 of your Existing Ordinary Shares in Flowgroup plc before the date that the Existing Ordinary Shares are marked “ex-entitlement” to the Open Offer by the London Stock Exchange, please immediately forward this document, together with the accompanying Application Form and Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Existing Ordinary Shares, please contact immediately your stockbroker, bank or other agent through whom the sale or transfer was effected. However, this document and any accompanying documents should not be sent or transmitted in or into, any jurisdiction where to do so might constitute a violation of local securities law or regulations including, but not limited to, the United States, Canada, Japan, Australia, New Zealand, the Republic of Ireland or the Republic of South Africa.

This document must not be distributed to a US Person (as such term is defined in the US Securities Act of 1933, as amended (the “**Securities Act**”)) or within or into the United States, Canada, Japan, South Africa, or Australia. The New Ordinary Shares, Open Offer Entitlements or Excess Shares have not been and will not be registered under the Securities Act, and may not be offered or sold or subscribed, directly or indirectly, within the United States Canada, the Republic of Ireland, Japan, South Africa, New Zealand or Australia or to or by any US Person (as such term is defined in Regulation S promulgated under the Securities Act) or any national resident or citizen of Canada, the Republic of Ireland, Japan, South Africa, New Zealand, or Australia or any corporation, partnership or other entity created or organized under the laws thereof.

The Company and the Directors, whose names are set out on page 5 of this document, accept responsibility, both collectively and individually, for the information contained in this document. To the best of the knowledge and belief of 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 affect the import of such information.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. No application has been made or is currently intended to be made for the New Ordinary Shares to be admitted to trading or dealt in on any other exchange. It is expected that, subject to, *inter alia*, the passing of the Resolutions at the General Meeting, Admission of the New Ordinary Shares will become effective and that dealings will commence on 13 June 2017. The New Ordinary Shares will, when issued, rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares and otherwise rank *pari passu* in all respects with the Existing Ordinary Shares.



## **FLOWGROUP PLC**

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

### **Notice of General Meeting**

**relating to the proposed**

**Placing to raise £9.525m through issue of 952.5m new Ordinary Shares at**

**1 penny per share**

**Subscription to raise £15.5m through issue of Convertible Loan Notes to**

**Palm Ventures LLC and Lombard Odier Investment Managers**

**Open Offer to raise up to approximately £3.45m through issue of up to**

**345,140,302 new Ordinary Shares at 1 penny per share**

**Changes to Articles of Association and Authority to allot new shares**

**and Capital Re-organisation**



**as nominated adviser and broker**

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Your attention is drawn to the letter from the Chairman of the Company which is set out in this document and which recommends that you to vote in favour of the Resolutions to be proposed at the General Meeting referred to below. Your attention is also drawn to the Risk Factors set out in Part 2 of this document.

Cenkos Securities plc (“**Cenkos**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker exclusively for the Company and no one else in relation to the Placing, Open Offer and Admission. Cenkos is not acting for the Company in relation to the PrimaryBid Offer. Cenkos is not acting for, and will not be responsible to, any person other than the Company for providing the protections afforded to clients of Cenkos or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. The responsibility of Cenkos as nominated adviser under the AIM Rules is owed solely to the London Stock Exchange and not the Company or its Directors or any other person. Cenkos has not authorised the contents of this document and no liability is accepted by Cenkos for the accuracy of any information or opinions contained in or for the omission of any information from this document, for which the Company and the Directors are solely responsible.

**Notice of a general meeting of the Company to be held at the offices of Flow Energy, North Felaw Maltings, 48 Felaw Street, Ipswich IP2 8PN at 10.00 a.m. on 12 June 2017, 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 10.00 a.m. on 10 June 2017.**

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the Transaction and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, or Cenkos or their respective associates, directors, officers or advisers.

The contents of the Company’s website or any website directly or indirectly linked to the Company’s website do not form part of this document.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document. Prospective investors should read this document in its entirety.**

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

**The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed on or endorsed the merits of the Transaction or the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.**

**The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 9 June 2017. The procedure for acceptance and payment is set out in Part 3 of this document and, where relevant, in the Application Form.**

Qualifying Non-CREST Shareholders will find an Application Form accompanying this document. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their stock accounts in CREST in respect of the Open Offer Entitlements which will be enabled for settlement on 26 May 2017. Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Existing Ordinary Shares prior to the date on which the Existing Ordinary Shares were marked “ex-entitlement” by the London Stock Exchange. If the

Open Offer Entitlements are for any reason not enabled by 5.00 p.m. or such later time as the Company may decide on 26 May 2017, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer. Applications for Excess Shares pursuant to the Excess Application Facility may be made by the Qualifying Shareholder provided that their Open Offer Entitlement has been taken up in full and subject to being scaled back in accordance with the provisions of this document.

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

## **FORWARD-LOOKING STATEMENTS**

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “forecasts”, “plans”, “prepares”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks”, “should” 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. They appear in a number of places throughout this document and include statements regarding the Company’s and the Directors’ intentions, beliefs or current expectations concerning, amongst other things, the Company’s prospects, growth and strategy.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual performance, achievements and financial condition may differ materially from those expressed or implied by the forward-looking statements in this document. In addition, even if the Company’s results of operations, performance, achievements and financial condition are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. Any forward-looking statements that the Company makes in this document speak only as of the date of such statement and (other than in accordance with their legal or regulatory obligations) neither the Company, nor Cenkos nor any of their respective associates, directors, officers or advisers undertakes any obligation to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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## **DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS**

<b>Directors:</b>	Clare Spottiswoode, Non-Executive Chairman Anthony Stiff, Group Chief Executive Officer Nigel Canham, Chief Financial Officer Andrew John Beasley, Managing Director of Flow Energy David Grundy, Non-Executive Director Dr. H J Cialone, Non-Executive Director John Johnston, Non-Executive Director
<b>Registered Office:</b>	Flowgroup plc Castlefield House Liverpool Road Castlefield Manchester M3 4SB
<b>Company Secretary:</b>	Philip Martin Barry
<b>Nominated Adviser and Broker:</b>	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
<b>Solicitors to the Company:</b>	Atticus Legal LLP Third Floor Castlefield House Liverpool Road Castlefield Manchester M3 4SB
<b>Solicitors to Cenkos:</b>	Addleshaw Goddard LLP Milton Gate 60 Chiswell Street London EC1Y 4AG
<b>Auditors:</b>	PricewaterhouseCoopers LLP 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW
<b>Registrars and Receiving Agent:</b>	Neville Registrars Neville House 18 Laurel Lane Halesowen B63 3DA

## EXPECTED TIMETABLE OF KEY EVENTS

Announcement of the Transaction including the PrimaryBid Offer	5.00 p.m. on 24 May 2017
PrimaryBid Offer open from	5.00 p.m. on 24 May 2017
Record date for entitlements under the Open Offer	6.00 p.m. on 24 May 2017
PrimaryBid Offer closed at	9.00 p.m. on 24 May 2017
Announcement of results of PrimaryBid Offer and the size and weighting of the Open Offer	25 May 2017
Publication and posting of the Circular and posting of the Application Forms to Qualifying Shareholders holding certificated Ordinary Shares	25 May 2017
Ex-Entitlement Date for the Open Offer	26 May 2017
Open Offer Entitlements enabled in CREST and credited to stock accounts of Qualifying CREST Shareholders in CREST	26 May 2017
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 7 June 2017
Recommended latest time for requesting withdrawal of Open Offer Entitlements and Excess Ordinary Shares from CREST	4.30 p.m. on 7 June 2017
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m. on 8 June 2017
Latest time and date for acceptance of the Open Offer and receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 a.m. on 9 June 2017
Latest time and date for receipt of completed Forms of Proxy to be valid at the General Meeting	10.00 a.m. on 10 June 2017
General Meeting	10.00 a.m. on 12 June 2017
Admission of the New Ordinary Shares to AIM	8.00 a.m. on 13 June 2017

*If any of the details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service. All references to times are to London time unless stated otherwise.*

## KEY STATISTICS

### Placing Statistics

Number of Existing Ordinary Shares	317,529,078
Number of Placing Shares	952,500,000
Issue Price	1 penny
Gross proceeds from the Placing	£9.525 million

### Open Offer Statistics

Issue Price	1 penny
Maximum number of Open Offer Shares	345,140,302
Maximum gross proceeds from the Open Offer	up to c. £3.45 million

### Loan Note Subscription Statistics

Gross Proceeds from issue of the Loan Notes	£15.5 million
Conversion price of each Loan Note into a Preference Share	£1.00
Conversion price of Preference Shares into Ordinary Shares (subject to adjustments)	1.2 pence
Maximum number of resulting Ordinary Shares following conversion of the Loan Notes into Preference Shares and Preference Shares into new Ordinary Shares	1,634,394,668

### PrimaryBid Offer Statistics

Number of Ordinary Shares in the PrimaryBid Offer	63,664,700
Issue Price	1 penny
Gross proceeds from the PrimaryBid Offer	£636,647

### Approximate Share Capital Statistics

Enlarged issued share capital immediately following Admission <sup>1</sup>	c. 1.334 billion
Enlarged issued share capital immediately following Admission <sup>2</sup>	c. 1.679 billion

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1 excluding the Open Offer

2 assuming that the Open Offer is fully subscribed

## DEFINITIONS

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

“Act”	Companies Act 2006 (as amended)
“Admission”	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	AIM, the market of that name operated by London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies and guidance notes as published by the London Stock Exchange from time to time
“Application Form”	the non-CREST Application Form
“Articles”	the Articles of Association of the Company
“Board” or “Directors”	the directors of the Company as at the date of this document
“Business Day”	a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business
“Capital Reorganisation”	the sub-division and reclassification of the Existing Ordinary Shares, resulting in the sub-division of each Existing Ordinary Share into 1 ordinary share of 0.1p and 1 deferred share of 4.9p as described in this document and to be approved at the General Meeting
“Circular”	this document including the Notice of General Meeting attached to it
“Cenkos”	Cenkos Securities plc
“Company” or “Flowgroup”	Flowgroup plc
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations)
“CREST Manual”	the CREST Manual as issued by CREST as amended from time to time
“CREST member”	a person who has been admitted to CREST as a system-member (as defined in the CREST Manual)
“CREST member account ID”	the identification code or number attached to a member account in CREST
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST regulations)
“CREST participant ID”	shall have the meaning given in the CREST Manual issued by Euroclear
“CREST payment”	shall have the meaning given in the CREST Manual issued by Euroclear
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Deferred Shares”	deferred shares of 4.9 pence each in the capital of the Company following the Capital Reorganisation
“Enlarged Share Capital”	the entire issued ordinary share capital of the Company on Admission, following completion of the Placing, Open Offer and PrimaryBid Offer
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited



“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Open Offer Entitlement in accordance with the terms and conditions of the Open Offer
“Excess CREST Open Offer Entitlements”	in respect of each Qualifying CREST Shareholder, the entitlement (in addition to his Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility, which is conditional on him taking up his Open Offer Entitlement in full
“Ex-entitlement Date”	the date on which the Existing Ordinary Shares are marked “ex” for entitlement under the Open Offer, being 26 May 2017
“Excess Shares”	Open Offer Shares applied for by Qualifying Shareholders under the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Open Offer Entitlement in accordance with the terms and conditions of the Open Offer
“Existing Ordinary Shares”	the 317,529,078 existing ordinary shares of 5 pence each in the capital of the Company in issue at the date of this document, all of which are admitted to trading on AIM
“FCA”	the Financial Conduct Authority of the UK
“FSMA”	Financial Services and Markets Act 2000 (as amended)
“Fundraising”	together, the Loan Note Subscription, the Placing, the Open Offer and the PrimaryBid Offer
“General Meeting”	the general meeting of the Company convened for 10.00 a.m. on 12 June 2017
“Group”	the Company and its subsidiaries
“HMRC”	Her Majesty’s Revenue and Customs
“Issue Price”	1 penny per New Ordinary Share
“Jabil”	Jabil Circuit, Inc.
“Loan Notes”	Convertible Unsecured Loan Notes 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
“Loan Note Subscription”	the conditional subscription by each of Palm Ventures and LOIM for Loan Notes totalling, in aggregate, £15.5 million
“Lombard Odier Investment Managers” or “LOIM”	Lombard Odier Investment Managers Group (LOIM) in respect of funds or accounts managed by LOIM entities
“London Stock Exchange”	London Stock Exchange plc
“microCHP” or “mCHP”	micro combined heat and power
“Money Laundering Regulations”	Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993 and the Proceeds of Crime Act 2002
“New Ordinary Shares”	together, the Placing Shares, the Open Offer Shares and the New Ordinary Shares to be issued pursuant to the PrimaryBid Offer, or any of them as the context shall require or permit
“Notice of General Meeting”	the notice convening the General Meeting as set out in this document
“Open Offer”	the conditional invitation made to Qualifying Shareholders to apply to subscribe for Open Offer Shares at the Issue Price

“Open Offer Entitlement”	the entitlement of Qualifying Shareholders to subscribe for Open Offer Shares allocated to Qualifying Shareholders <i>pro rata</i> to their holding of existing Ordinary Shares on the Record Date pursuant to the Open Offer
“Open Offer Shares”	the up to 345,140,302 New Ordinary Shares to be made available to Qualifying Shareholders pursuant to the Open Offer
“Ordinary Shares”	ordinary shares of 5 pence each in the capital of the Company or, as the case may be, ordinary shares of 0.1 penny each following the Capital Reorganisation becoming effective
“Overseas Shareholders”	a Shareholder with a registered address outside the United Kingdom
“Palm Ventures”	Palm Ventures LLC
“Placees”	subscribers for Placing Shares
“Placing”	the conditional placing by the Company of the Placing Shares with certain investors, existing Shareholders (or their associated investment vehicles) otherwise than on a pre-emptive basis, at the Issue Price
“Placing and Open Offer Agreement”	the conditional agreement entered into between the Company and Cenkos in respect of the Placing and Open Offer dated 24 May 2017, as described in this document
“Placing Shares”	the 952,500,000 New Ordinary Shares, the subject of the Placing
“PrimaryBid Offer”	the PrimaryBid Offer of New Ordinary Shares made to private and other investors on the PrimaryBid platform
“Preference Shares”	zero coupon preference shares of £1 each in the capital of the Company that shall each have the right to convert into, initially, approximately 83.33 new Ordinary Shares
“PrimaryBid”	PrimaryBid Limited, which is an appointed representative of Darwin Strategic Limited which is authorised and regulated by the Financial Conduct Authority with register number 513358
“Proposed Directors”	Brad Tirpak and Brian F. Carroll, both representatives of Palm Ventures and Jamie Brooke of LOIM
“Prospectus Rules”	the Prospectus Rules made by the FCA in accordance with the EU Prospectus Directive relating to admission of securities to trading on a regulated market
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the register of members of the Company at the Record Date (but excluding any Overseas Shareholder who has a registered address in any Restricted Jurisdiction)
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Existing Ordinary Shares in a CREST account
“Qualifying non-CREST Shareholders”	Qualifying Shareholders holding Existing Ordinary Shares in certificated form
“Receiving Agents”	Neville Registrars Limited, being the Company’s registrars
“Record Date”	6.00pm on 24 May 2017
“Resolutions”	the resolutions to be proposed at the General Meeting as will be set out in the Notice of General Meeting
“Restricted Jurisdiction”	the United States of America, Canada, Australia, Japan, New Zealand or the Republic of South Africa or any other jurisdiction where the extension or availability of the Placing and Open Offer would breach any applicable law
“Securities Act”	the United States Securities Act of 1933, as amended

“Shareholders”	holders of Ordinary Shares
“Transaction”	the Placing, the PrimaryBid Offer, the Open Offer, the Loan Note Subscription, the General Meeting and Admission
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland

## **PART 1 — LETTER FROM THE CHAIRMAN OF FLOWGROUP PLC**

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

*Directors:*

Clare Spottiswoode (Non-Executive Chairman)  
Anthony Stiff (Chief Executive)  
Nigel Canham (Chief Financial Officer)  
Andrew Beasley, Managing Director, Flow Energy)  
John Johnston (Non-Executive Director)  
Henry Cialone (Non-Executive Director)  
David Grundy (Non-Executive Director)

*Registered Office:*

Castlefield House  
Liverpool Road  
Castlefield  
Manchester M3 4SB

*Proposed Non-Executive Directors:*

Bradley Tirpak  
Brian F. Carroll  
Jamie Brooke

25 May 2017

Dear Shareholder,

**Notice of General Meeting relating to the proposed  
Placing to raise £9.525m through the issue of 952.5m  
New Ordinary Shares at 1 penny per share**

**Subscription to raise £15.5m through the issue of Convertible Loan Notes to  
Palm Ventures LLC and LOIM**

**PrimaryBid Offer to raise approximately £0.64m through the issue of  
63,664,700 New Ordinary Shares via Primarybid.com at 1 penny per share**

**Open Offer to raise up to approximately £3.45m through issue of up to  
345,140,302 Open Offer Shares at 1 penny per share**

**Changes to Articles of Association and Authority to allot new shares  
and Capital Re-organisation**

### **1. INTRODUCTION**

On 24 May 2017, the Board was pleased to announce the proposed Fundraising comprising: the Placing to raise approximately £9.5 million; the Open Offer to raise, when taken together with the take up under the PrimaryBid Offer, up to approximately £4 million; and, further, the Loan Note Subscription by Palm Ventures and LOIM, raising further gross proceeds of £15.5 million. Subsequently, the Company has today announced that demand for the PrimaryBid Offer amounted to approximately £0.64 million and therefore that the amount available to Qualifying Shareholders under the Open Offer is approximately £3.45 million. In total therefore, the maximum proceeds receivable by the Group from the Fundraising (before expenses) amount to approximately £29.1 million (assuming full take-up under the Open Offer). The net proceeds of the Fundraising receivable by the Company are estimated to amount to between £24.6 million and £27.9 million (dependent upon the level of take-up under the Open Offer).

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

The Issue Price is at a discount of 11.1 per cent. to the closing middle market price of 1.125 pence per Existing Ordinary Share on 24 May 2017 (being the closing middle market price on the date of announcement of the Transaction).

**The Fundraising is not underwritten and the Placing, the Open Offer, the Primary Bid Offer, the Loan Note Subscription and the Capital Reorganisation are and will each be conditional on, and accordingly the Fundraising as a whole is and will be conditional on, amongst other things, the passing of the Resolutions to be proposed at the General Meeting. Shareholders should be aware that if the Resolutions are not approved at the General Meeting, the Fundraising will not proceed in its entirety.**

**Should the Fundraising not proceed, without access in the near term to alternative finance of an amount of similar size to that of the Fundraising, the working capital available to the Company will not be sufficient for its requirements and it may well have insufficient working capital to trade as a going concern.**

The purpose of this document is to explain the background to the Fundraising, to set out the reasons why your Board believes that the Fundraising is in the best interests of the Company and its Shareholders as a whole and to seek your approval to the resolutions to be proposed at the forthcoming General Meeting, which will be held at the offices of Flow Energy, North Felaw Maltings, 48 Felaw Street, Ipswich IP2 8PN on 12 June 2017 at 10.00 a.m.

## **2. BACKGROUND TO AND REASONS FOR THE FUNDRAISING**

Flowgroup is comprised of two divisions, Flow Products and Flow Energy. Flow Products developed and sought to market a microCHP boiler for residential use. The Flow Energy division provides residential gas and electricity supply to over 250,000 fuel accounts in Great Britain.

As announced in February 2017, the Directors believe that due to i) a reduction by the government in the microCHP Feed-in Tariff (FiT); ii) a potential change in the Value Added Tax (VAT) and iii) increased manufacturing costs resulting from the post Brexit devaluation of Sterling, the Flow Products' microCHP boiler is currently uneconomic in the UK market. Accordingly, the Directors have concluded that Flow Products should limit its focus to ongoing pilots of the microCHP boiler in select European markets where financial support offered potentially favours microCHP through various installation and other available incentives. At the culmination of their strategic review, the Directors also concluded that the current uncertainty around the FiT made it a sub-optimal time to consider a sale of the Flow Products division and that the Company would incur significant costs if it were to exit the business.

The Company announced that, during this strategic review, the Board had received a number of approaches expressing an interest to acquire its Flow Energy business. Following a formal process to sell the Flow Energy business, a number of indicative offers were received and the Company had selected a preferred bidder and had entered into an exclusivity agreement with that party.

Whilst the formal process was ongoing, the Company was approached by Palm Ventures, a leading US investment company, which expressed an interest in making a significant investment into the existing Group, alongside other investors, with the goal of better capitalising the Flow Energy business with sufficient resources to fund its projected rapid growth in order to build value for all Shareholders. Palm Venture's proposed investment was therefore conditional, *inter alia*, on the Flow Energy business being retained and the Group's liability for ongoing costs in its Flow Products division being significantly reduced.

On receipt of Palm Venture's investment interest, the Directors entered into negotiations with its microCHP manufacturing partner, Jabil, regarding both parties terminating the existing manufacturing services agreement (the "Jabil Contract") should the Company be able to successfully execute a significant capital injection into the Group.

The Directors are pleased to confirm that the Company has successfully reached an agreement with Jabil that will terminate the Jabil Contract on mutually acceptable terms and at a significantly reduced cost for the Group. Such arrangements in respect of the Jabil Contract are conditional, *inter alia*, on completion of the Fundraising. Production was halted on 1 May 2017 and one payment of £4 million is to be made to Jabil by no later than three business days following Admission. The Directors had previously estimated the cost of exiting the Jabil Contract to be in the region of £10 million.

Following discussions with a number of the Company's leading Shareholders and given the agreement reached with Jabil referred to above, the Board believes that it is in the best interests of Shareholders as a whole to pursue the Fundraising and cease discussions with the preferred bidder for the Flow Energy business. This conclusion was reached in the context of the likely outcome of the process to dispose of the Flow Energy business and other funding options for the

Group having been explored. Following completion of the Fundraising, which will result in at least circa £25 million of new capital being raised (before expenses) the Directors believe that the Group will have the requisite capital base to:

1. scale back the Flow Products division to exclusively focus on commercialisation of its technology in Europe while retaining its intellectual property; and
2. focus on growing the Flow Energy business from its current base of over 250,000 customer fuel accounts.

The Directors believe that achievement of the projected growth in the Flow Energy business should build significant long term value for all Shareholders that is significantly in excess of the value indicated by third parties in the current strategic review. The Directors have therefore concluded that the Fundraising is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the resolutions required to effect the Fundraising at a General Meeting as they have irrevocably undertaken to do in respect of their interests in Ordinary Shares which represent, in aggregate, approximately 1.6 per cent. of the Existing Ordinary Shares.

### **The microCHP business**

Following the proposed termination of the Jabil Contract described above, the Group will exclusively pursue European commercialisation of its microCHP boiler with its existing European partners in France, Germany, Italy and Belgium or possibly seek the sale of the microCHP technology. The Directors expect pilots to start in Europe in the last quarter of 2017.

### **Flow Energy**

On completion of the Fundraising and following the downsizing of the microCHP business described above, the Directors' primary focus will be on continuing to develop and grow Flow Energy, the Group's residential gas and electricity supply business, as they believe that this part of the Group is most likely to generate substantial returns for Shareholders over the medium to long term.

The Directors believe that Flow Energy has already delivered strong growth over the past four years. Launched in April 2013, Flow Energy grew to approximately 50,000 customer fuel accounts by the end of 2013 and to approximately 100,000 customer fuel accounts by the end of 2015. In late 2015, Flow Energy entered into a wholesale contract with Shell which provides access to energy procurement, hedging and more favorable collateral trading terms. Since then, Flow Energy has been able to accelerate growth by circa 150 per cent. and at the end of 2016 serviced approximately 250,000 customer fuel accounts.

The Directors believe that further investment into Flow Energy could allow it to grow to become a leading mid-tier energy supplier with over 1 million customer fuel accounts in the near to medium term. The Directors estimate that 1 million customer fuel accounts would generate circa £500 million of annual revenues and a business of this size would, the Directors believe, make Flow Energy a viable challenger to the 'Big Six' suppliers (including British Gas, Eon, EDF and npower) and have the potential to deliver significant value to both new and existing Shareholders.

#### *The UK domestic energy market*

The UK domestic energy market is significant, with around 50 million customer fuel accounts and it is currently undergoing rapid and fundamental change. While full competition was introduced into the UK domestic energy market in 1998 for gas and 1999 for electricity, the 'Big Six' suppliers have largely maintained their dominant position and still had a 98 per cent. share of the market in 2013 (Cornwall Q416 Domestic Supplier Insight report). But by October 2016, this had fallen to 84.2 per cent. (Cornwall Q416 Domestic Supplier Insight report) with around 7 million customer fuel accounts having switched away to 'challenger' suppliers, including Flow Energy, who have entered the market. However, the Directors believe that over 66 per cent. of customers are still on the more expensive standard variable tariffs (Ofgem 14 December 2016 – standard variable tariffs). With leading 'challenger' tariffs currently around £200 a year cheaper than the Big Six standard variable tariffs and a reputation for enhanced customer service over the larger suppliers, the Directors believe that this represents a continuing opportunity for Flow Energy to grow its business.

As part of their manifesto for the forthcoming UK General Election, the Conservative Party has undertaken, should they win the election, to impose a 'price cap' on the Standard Variable Tariff

(SVT) which are used to determine the price energy suppliers can charge consumers for their energy supplies. If implemented, the price cap will set a ceiling price, which will be adjusted every six months by Ofgem, the energy regulator, to take account of wholesale price movements. The Directors believe that energy suppliers that have high SVTs may have to increase their fixed rate tariffs to recover margin from such price caps. As Flow Energy competes mainly on fixed rate tariffs, the Directors view the potential implementation of such price caps as an opportunity for the Group. In addition, the Labour Party has recently published their manifesto for the same election, including within it an undertaking to nationalise the UK energy industry. The Directors believe that the Labour Party manifesto proposals, whilst quite radical, proposes the nationalisation of asset based elements of the industry and whilst it further proposes publicly owned regional supply businesses, these in many areas already exist under council ownership and have not shown any material impact on the competitive nature of the market.

The Directors believe that Flow Energy is well placed to grow and that it is in a stronger position to do so than many of its competitors. The Directors believe that many of the smaller 'challenger' suppliers lack the necessary resources to hedge their energy trading positions and therefore cannot protect themselves against wholesale market volatility. A recent example of an unhedged energy company failure was GB Energy, which entered into administration in November 2016 after stating that its unhedged trading strategy was a significant contributory factor.

Flow Energy also has what the Directors believe to be a key differentiator in the quality of its customer service. In addition, the Directors believe that Flow Energy has built a reputation for outstanding customer service, including:

- joint first overall rating (Oct – Dec 2016) from Citizens Advice on complaints, ease of contact, bill clarity and ease of switching;
- highly rated for the 3<sup>rd</sup> year running in the Which? annual energy customer satisfaction survey;
- a Trustpilot score of 8.4 out of 10; and
- a Net Promoter Score of +39.

The Directors believe that a significant number of Flow Energy's competitors suffer from a poor reputation for customer service. Service levels are consistently reported by customers as an important consideration when choosing an energy company and the Directors believe that Flow Energy's strong reputation for customer service is an integral part of its brand and is a key strength.

#### *Acquiring customers*

The Directors believe that investing in customer acquisition and maintaining excellent service quality at the same time will generate sustainable, profitable growth. The Directors intend to use a broad range of acquisition channels to attract customers with a combination of competitive prices and strong service to continue to build the Company's brand. To achieve this growth the Directors intend to develop the following acquisition channels:

- **Price comparison sites:** Price comparison web sites are an efficient way to acquire customers. These sites traditionally advertised every deal in the market, but they have recently been granted the possibility of new flexibility by the Competition and Markets Authority moving towards allowing them to offer exclusive deals to commission paying customers like Flow Energy.
- **Outbound telephone campaigns:** When combined with the right offer to the right customers, the Directors believe that this channel has significant potential for Flow Energy.
- **Digital:** The ongoing digitisation of both energy and consumer behaviour allows Flow Energy to engage and acquire customers online using social media like Facebook, Twitter, Instagram and LinkedIn.
- **Brand Ambassador network:** Flow Products has developed a national network of heating engineers who have been trained to deliver Flowgroup's home heating offer. The Directors believe that this channel has the potential to deliver energy sales in the home.
- **Partnerships:** Flow Energy will seek to partner with businesses who share Flow Energy's values and who are looking to maximise the revenue potential of their own customer bases with cross-selling opportunities.

- **Direct mail:** Even in the increasingly digital world, the Directors believe that direct mail can be an effective means of reaching customers in the home.
- **Referrals:** Referrals can offer an efficient marketing channel and Flow Energy plans to test this channel in the future.

#### *Customer profitability*

While acquiring domestic energy customers, Flow Energy incurs a Customer Acquisition Cost (CAC). This CAC is expensed over the first year of a customer contract and typically results in that customer achieving break even in year one. Profitability of a Flow Energy customer is currently typically achieved in year two and the longer Flow Energy can retain a customer, the more profitable the customer becomes. The lifetime value (LTV) of each retained customer is typically significantly higher than the CAC.

The Directors believe that the key drivers to build the LTV of a customer in the Flow Energy business are:

- providing a value-added offer so that customers are keen to remain with Flow Energy;
- maintaining low customer acquisition costs;
- maintaining and reducing the costs of servicing each customer;
- reducing churn and retaining customers successfully;
- minimising bad debt;
- employing a robust trading strategy; and
- the ability to offer customers additional products and services.

A key element of Flow Energy's strategy to reduce its cost to service is to employ self-service using online digital tools. Approximately 72 per cent. of Flow Energy customers are registered to manage their account online, which provides a lower cost of service to those customers than call centres. Flow Energy plans to release a new account management smartphone app before the end of 2017 to further increase digital engagement. As another important part of its digital strategy, Flow Energy's launch of its smart meter service is planned for the last quarter of 2017.

The Directors believe that the Flow Energy business provides exceptional customer service which maintains and enhances loyalty. This has been demonstrated by the 150 per cent. growth in customer fuel accounts achieved in 2016. In addition, The Directors believe that Flow Energy's customer retention levels are strong. By way of example, approximately 61 per cent. of customers who joined Flow Energy in 2014 remain on supply, which is less than 1.1 per cent. churn per month. In addition, the Directors believe that Flow Energy has a robust and hedged trading strategy which puts it at a significant advantage to many of its competitors.

#### *Foundation for growth*

The Directors believe that Flow Energy has the infrastructure and senior management capabilities in place to achieve its near term targets. Flow Energy is based in Ipswich, Suffolk. Its office has around 36,000 square feet of space over 7 floors and the capacity to grow to 450 staff (currently 261) which the Director's believe will be sufficient to service around 500,000 customer fuel accounts, representing approximately 1,100 customer fuel accounts per employee. The senior team at Flow Energy provides significant energy experience. Flow's local employer brand facilitates recruitment for volume customer service roles. Flow Energy enjoys an engaged and committed workforce where 72 per cent. would recommend Flow as a place to work and the annual staff retention rate is 86 per cent. Additionally, the Company plans to utilise limited elements of outsourcing in both the UK and offshore where this brings cost benefits and greater flexibility to growth plans.

In order to drive growth in the business, the Directors have set the following Key Performance Indicators for 2017:

- customer fuel account growth of greater than 60 per cent.;
- cost to service reduced by at least 5 per cent. and current customer retention levels maintained or improved in order to improve gross margins;
- staff retention levels of 86 per cent. maintained or improved; and



- Which? annual energy customer satisfaction score of 73 per cent. maintained or improved upon and Net Promoter Score of +39 maintained or improved in order to ensure our reputation for outstanding customer service remains strong.

### 3. THE FUNDRAISING

The Board believes that raising the majority of the equity finance using the flexibility provided by a non-pre-emptive placing is the most appropriate and optimal structure for the Company at this time. This combined with the Open Offer (which is on a pre-emptive basis) the PrimaryBid Offer (which was available to retail investors via the PrimaryBid platform) and the Loan Note Subscription allows both existing Shareholders and new institutional and other investors the opportunity to participate in the Fundraising. The maximum amount to be raised by the Open Offer and the PrimaryBid Offer, in aggregate, is below the threshold which would require a prospectus, which is a costly and time consuming process.

Subject to the satisfaction of the conditions referred to below, the Company will issue and allot the Placing Shares first, then the Open Offer Shares and the New Ordinary Shares to be issued pursuant to the PrimaryBid Offer and finally, the Loan Notes. The use of net proceeds raised from the Fundraising is detailed in paragraph 3.5 below.

The New Ordinary Shares when issued will rank *pari passu* with the Existing Ordinary Shares and will rank in full for any dividends and distributions paid or made in respect of the Ordinary Shares.

#### 3.1 Details of the Placing

The Company has conditionally raised £9.525 million before expenses by the Placing of 952.5 million Placing Shares at the Issue Price to the Placees. The Issue Price presents a discount of approximately 11.1 per cent. to the closing middle market price per Existing Ordinary Share on 24 May 2017, being the date of announcement of the Transaction.

The Placing is conditional on the conditions to the Loan Note Subscription being satisfied or waived and, *inter alia*, upon:

- a) the passing of the Resolutions at the General Meeting by Shareholders;
- b) the Placing and Open Offer Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission;
- c) the Capital Reorganisation becoming effective; and
- d) Admission becoming effective by no later than 8.00 a.m. on 13 June 2017 or such later time and/or date (being no later than 8.00 a.m. on 27 June 2017) as Cenkos and the Company may agree.

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

As part of the Placing, and in addition to their respective investments in the Loan Note Subscription, Palm Ventures and LOIM have conditionally agreed to subscribe for 90 million Placing Shares and 70 million Placing Shares respectively, representing investments in the Placing of £0.9 million and £0.7 million respectively.

It is intended that the Directors (with the exception of Clare Spottiswoode) will, in aggregate, subscribe in the Placing for £125,000 of Placing Shares (representing 12.5 million Placing Shares in aggregate). A further announcement detailing such intended subscriptions will be made once the Placing has completed. As described below, Clare Spottiswoode and John Johnston intend to take up their entitlements to Open Offer Shares in full.

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

If the Placing proceeds, the Placing Shares will comprise approximately 57 per cent. of the enlarged issued share capital immediately following Admission, not taking into account any conversion of the Loan Notes (or Preference Shares) but assuming full take-up under the Open Offer and the PrimaryBid Offer.

Application will be made to the London Stock Exchange for the Placing Shares and the Open Offer Shares to be admitted to trading on AIM. Subject, *inter alia*, to the passing of the Resolutions at the General Meeting it is expected that admission to AIM will become effective in respect of, and that dealings on AIM will commence in, the Placing Shares on or around 13 June 2017, or such later time and/or date (being no later than 8.00 a.m. on 27 June 2017) as Cenkos and the Company may agree.

It is expected that CREST accounts of the investors in the Placing Shares who hold their Ordinary Shares in CREST will be credited with their Placing Shares on 13 June 2017. In the case of investors in the Placing Shares holding their Ordinary Shares in certificated form, it is expected that, where applicable, certificates will be dispatched within 10 business days of Admission. Pending dispatch of the share certificates or the crediting of CREST accounts, the Registrar will certify any instruments of transfer against the register.

### **3.2 Details of the PrimaryBid Offer**

On 24 May 2017, the Company announced that it was proposing to raise up to £4 million (before expenses) under the PrimaryBid Offer and the Open Offer, in aggregate. The PrimaryBid Offer, which took place between 5.00pm and 9.00pm on 24 May 2017, was made in accordance with an available exemption against the requirement to produce an FCA approved prospectus.

The PrimaryBid Offer, which is not underwritten, was open to private retail investors subscribing via PrimaryBid.com and the allocation of Ordinary Shares was filled on a “first come, first served” basis. It was announced today that the total demand under the PrimaryBid Offer was approximately £0.64 million and, should the Fundraising complete, will result in the issue of 63,664,700 New Ordinary Shares pursuant to the PrimaryBid Offer. Completion of the PrimaryBid Offer is conditional on the Fundraising being or becoming wholly unconditional. This document does not constitute an offer in respect of the PrimaryBid Offer (which closed on 24 May 2017 at 9.00 p.m.).

The New Ordinary Shares to be issued pursuant to the PrimaryBid Offer will be free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu*, in all respects with the Existing Ordinary Shares.

### **3.3 Details of the Open Offer**

Following the result of the PrimaryBid Offer as described above, with the original intention to raise up to approximately £4 million (before expenses) from the PrimaryBid Offer and the Open Offer in aggregate, the Company is proposing to raise up to approximately £3.45 million (before expenses) under the Open Offer. A total of up to 345,140,302 new Ordinary Shares are available to Qualifying Shareholders pursuant to the Open Offer at the Issue Price, payable in full on acceptance. Any Open Offer Shares not subscribed for by Qualifying Shareholders will be available to Qualifying Shareholders under the Excess Application Facility.

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

25 Open Offer Shares for every 23 Existing Ordinary Shares

and so in proportion for any number of Existing Ordinary Shares held on the Record Date.

Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Open Offer Shares. Fractional entitlements which would otherwise arise will not be issued to the Qualifying Shareholders but will be aggregated and made available under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement. Not all Shareholders will be Qualifying Shareholders. Shareholders who are located in, or are citizens of, or have a registered office in certain overseas jurisdictions will not qualify to participate in the Open Offer.

Application has been made for the Open Offer Entitlements to be admitted to CREST. It is expected that such Open Offer Entitlements will be credited to CREST on 26 May 2017. The Open Offer Entitlements will be enabled for settlement in CREST until 3.00 p.m. on 8 June 2017. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of *bona fide* market claims. The Open Offer Shares must be paid in full on application. The latest time and date for receipt of completed Application Forms or CREST applications and payment in respect of the Open Offer is 11.00 a.m. on 9 June 2017.

The Open Offer is conditional on the Placing becoming or being declared unconditional in all respects and not being terminated before Admission (as the case may be).

Accordingly, if the conditions of the Placing Agreement are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and the Open Offer Shares will not be issued and all monies received by Neville Registrars will be returned to the applicants (at the applicants' risk and without interest) as soon as possible, but within 14 days thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

Given the £125,000 intended participation, in aggregate, by the Directors (with the exception of Clare Spottiswoode) in the Placing, the Directors (with the exception of Clare Spottiswoode and John Johnston) do not intend to subscribe for their entitlements under the Open Offer. Clare Spottiswoode and John Johnston intend to take up their entitlements to Open Offer Shares in full.

Application will be made for the Open Offer Shares to be admitted to trading on AIM. It is expected that dealings in the Open Offer Shares will commence on AIM on 13 June 2017.

Part 3 and Part 4 of this document contain further necessary information on the Open Offer.

### **3.4 Details of the Loan Note Subscription**

#### *Loan Notes*

As announced on 24 May 2017, the Company has entered into a conditional subscription agreement with Palm Ventures pursuant to which Palm Ventures is to conditionally subscribe for £9 million of Loan Notes. In addition, LOIM is to conditionally subscribe for £6.5 million of Loan Notes. The Loan Note Subscription is conditional, *inter alia*, on Admission of the Placing Shares and the Open Offer Shares. It is also conditional upon none of the three main political parties indicating any new manifesto pledge or confirmed party policy in respect of the forthcoming UK General Election to enact legislation to enforce absolute price controls or price limitations on the whole of the UK residential energy sector, such legislation that, in the opinion of either the management of the Company or Palm Ventures, each acting reasonably and in good faith, having a material adverse effect on the margins or business prospects of Flow Energy Limited.

The Loan Notes carry compound interest (for the first three years following their issue) at the rate of 7.5 per cent. per annum (payable quarterly) on the principal amount outstanding, compounded quarterly. Interest is to be satisfied by the issue of additional Loan Notes at par. The Loan Notes are repayable in full on the third anniversary of their issue to the extent not then converted. Interest is payable in full on a change of control of the Company and on exercise of a conversion right (in respect of those Loan Notes converted) for the period from the date of the change of control or exercise of the conversion right to the maturity date (being three years from the issue of the Loan Notes).

The holders of the Loan Notes have the right to convert, at par, some or all of their Loan Notes into zero coupon convertible preference shares of £1 each in the Company ("Preference Shares") at any time in the three years following the issue of the Loan Notes. Accordingly, if converted in full, the Loan Notes are capable of being converted into a maximum of 19,612,736 Preference Shares and assuming interest for the full term of the Loan Notes is paid and is satisfied by the issue of further Loan Notes (including those to be issued pursuant to the arrangement fee referred to below).

The subscription agreement for the Loan Notes and the instrument under which the Company has constituted the Loan Notes, contain warranties from the Company and events of default which, if they occur, will result in the holders of Loan Notes being able to demand immediate cash payment together with all interest for the full three year period. Failure by the Company to pay such amounts will result in default interest being charged at a compound rate of 11 per cent. per annum. Default interest is payable in cash.

The holders of more than 50 per cent. of the principal amount of the Loan Notes outstanding (an "Investor Majority") may require the appointment of two non-executive Directors of the Company and one person as an observer to attend and speak at meetings of the Board of the Company. In addition, the holders of more than 33.3 per cent. of the principal amount of the Loan Notes outstanding (which is not also an Investor Majority) (an "Investor Significant Minority") may require the appointment of one non-executive director of the Company.

The subscribers for the Loan Notes in the Loan Note Subscription will receive an arrangement fee equal to 1.25 per cent. of the principal amount of the Loan Notes subscribed for. This arrangement fee is to be taken in the form of additional Loan Notes.

If Palm Ventures convert their Loan Notes into Preference Shares and/or convert their Preference Shares into new Ordinary Shares, their interest, when taken with any existing interest in Ordinary Shares, could represent 30 per cent. or more of the voting rights of the Company and, if so, would oblige Palm Ventures to make a general offer to Shareholders under Rule 9 of the City Code on Takeovers and Mergers.

If LOIM convert their Loan Notes into Preference Shares and/or convert their Preference Shares into new Ordinary Shares, their interest, when taken with any existing interest in Ordinary Shares, could represent 30 per cent. or more of the voting rights of the Company and, if so, would oblige LOIM to make a general offer to Shareholders under Rule 9 of the City Code on Takeovers and Mergers.

### *Preference Shares*

To the extent that the Loan Notes are converted into Preference Shares, the holders of the Preference Shares shall have the right, at any time in the five years following Admission, to convert at a price of 1.2p for each Preference Share (subject to adjustment) held into approximately 83.33 new Ordinary Shares (subject to adjustment). If the Loan Notes are fully converted after three years and assuming all interest is satisfied by the issue of further Loan Notes and taking into account the arrangement fee referred to above and before any adjustment to the conversion price, the resultant Preference Shares will convert into 1,634,394,668 new Ordinary Shares representing approximately 49.5 per cent. of the enlarged issued share capital of the Company immediately following Admission and the full conversion of the Preference Shares referred to above (assuming that the Fundraising completes and assuming full take-up under the Open Offer and the Primary Bid Offer).

The holders of the Preference Shares will be entitled to receive notice of, attend, speak and vote (in person or by proxy) at all general meetings of the Company as if the Preference Shares had been fully converted into New Ordinary Shares. The Preference Shares are freely transferable. The Preference Shares will not be admitted to trading on any securities exchange. The Preference Shares shall not be entitled to participate in any dividend or other distribution of the Company. On a winding up or liquidation of the Company the holders of the Preference Shares shall be entitled to be paid 100 per cent. of their nominal value in seniority and preference to the holders of the Ordinary Shares.

The holders of 50 per cent. or more of the Preference Shares (a "Preference Share Majority") may require the appointment of two non-executive Directors of the Company and one person as an observer to attend and speak at meetings of the Board of the Company. In addition, the holders of 33.3 per cent. or more of the Preference Shares (who are not also a Preference Share Majority) (a "Preference Share Minority") may require the appointment of one non-executive Director of the Company. Such appointment rights are in substitution for, and not additional to, the appointment rights of holders of the Loan Notes.

A holder of Preference Shares will also have the benefit of wide-ranging anti-dilution protections in certain circumstances including where there are, *inter alia*, further issues of capital, re-organisations, sub-divisions and consolidations of the Company's share capital.

### **3.5 Use of net proceeds of the Fundraising**

The net proceeds of the Fundraising receivable by the Company are estimated to amount to between £24.1 million and £27.9 million (dependent upon the level of take-up under the Open Offer) and will, subject to the final amount raised pursuant to the Fundraising, be applied towards:

- funding Flow Energy (including existing financing arrangements) and accelerating its growth to become a mid-tier energy business, by developing a number of acquisition channels and continuing to improve the customer experience (circa £15 million);
- pursuing commercialisation of the Flow microCHP with its European partners or to sell the microCHP technology (circa £1 million);
- terminating the Jabil Contract at a significantly reduced cost for the Group, with production halted on 1 May 2017 and payments totaling £4 million to be made to Jabil no later than three business days following Admission; and

- with any remainder to be applied towards general working capital purposes.

### 3.6 **Placing and Open Offer Agreement**

Pursuant to the Placing and Open Offer Agreement, Cenkos has agreed to use its reasonable endeavours, as agent of the Company, to procure subscribers for the Placing Shares (other than certain Placing Shares which are to be issued to Palm by means of direct subscription between Palm at the Company) at the Issue Price. The Placing and Open Offer Agreement provides, *inter alia*, for payment by the Company to Cenkos of commissions based on certain percentages of (i) the product of the number Placing Shares multiplied by the Issue Price, and (ii) the nominal value of Loan Notes issued by the Company. The Company will bear all other expenses of and incidental to the Placing and Open Offer, including the fees of the London Stock Exchange, printing costs, Registrar's and Receiving Agent's fees, all legal and accounting fees of the Company and of Cenkos, and all stamp duty and other taxes and duties payable. The Placing and Open Offer Agreement contains certain warranties and indemnities from the Company in favour of Cenkos as are customary for agreements of this nature and is conditional, *inter alia*, upon:

- (a) the Placing and Open Offer Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and
- (b) Admission becoming effective not later than 8.00 a.m. on 13 June 2017 or such later time and/or date as the Company and Cenkos may agree, being not later than 27 June 2017.

Cenkos may terminate the Placing and Open Offer Agreement in certain circumstances, if, *inter alia*, the Company is in breach of any of its obligations under the Placing and Open Offer Agreement; if there is a material adverse change in the condition (financial, operational, legal or otherwise), earnings, business, management, properties, prospects, assets, rights, results of operations, net asset value, funding position, liquidity or solvency of the Group; or if there is a material adverse change in financial, political, economic or stock market conditions, which in the opinion of Cenkos makes it impractical or inadvisable to proceed with the Fundraising.

### 3.7 **Directors' dealings**

As described above, certain of the Directors have undertaken to subscribe for, in aggregate, 12.5 million New Ordinary Shares under the Placing. In addition, Clare Spottiswoode and John Johnston intend to take up all of their entitlements to Open Offer Shares under the Open Offer. A further announcement will be made as and when such dealings have completed.

## 4. **PROPOSED CAPITAL REORGANISATION**

The issue of new Ordinary Shares at a discount to the nominal value of those shares is prohibited under the Act. The nominal value of the Ordinary Shares is currently 5 pence and the Issue Price is 1 penny. Accordingly, it will be necessary to undertake the Capital Reorganisation to enable the Company to issue New Ordinary Shares in the future (including the New Ordinary Shares it is proposed to be issued pursuant to the Fundraising) at a price which is less than the current nominal value of an existing Ordinary Share. The interests of existing Shareholders (both in terms of their economic interest and voting rights) will not be diluted by the implementation of the Capital Reorganisation.

At the date of publication of this document, the issued ordinary share capital of the Company consists of 317,529,078 ordinary shares of 5 pence each. Accordingly, it is proposed that each of the Existing Ordinary Shares at the time of the General Meeting be sub-divided into:

- i. one new ordinary share of 0.1 penny each in the capital of the Company, such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares; and
- ii. one deferred share of 4.9 pence each.

Immediately following the Capital Reorganisation becoming effective and prior to the issue of the New Ordinary Shares, the Company's issued share capital will comprise:

- i. 317,529,078 new ordinary shares of 0.1 penny each; and
- ii. 317,529,078 Deferred Shares of 4.9 pence each.

The Deferred Shares created will be effectively valueless as they will not carry any voting or dividend rights and will have no effect on the economic interest of the Shareholders (on the basis

that holders of the Deferred Shares shall be entitled only to the repayment of the amounts paid up on the Deferred Shares after the repayment of the capital paid up on the Preference Shares and the Ordinary Shares and the payment of £1,000,000 on each Ordinary Share). The New Ordinary Shares shall have the same rights and shall be subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares. The rights attaching to the aforementioned shares will be set out in the amended Articles.

As shown above, the number of Ordinary Shares in issue following the Capital Reorganisation (but before completion of the Fundraising) will be unchanged from the number of Existing Ordinary Shares in issue immediately prior to the Capital Reorganisation.

The Capital Reorganisation is subject to approval of Shareholders at the General Meeting.

For Shareholders who currently hold Existing Ordinary Shares in certificated form, no new share certificates will be issued and the certificates currently held will remain valid; the new nominal value will be shown on any new certificates issued from the date of the Capital Reorganisation becoming effective following the passing of the resolution to approve the Capital Reorganisation at the General Meeting (the “**Capital Reorganisation Effective Date**”). Holders of Existing Ordinary Shares in certificated form on the Capital Reorganisation Effective Date will retain the same number of shares following the Share Capital Reorganisation. Shareholders who hold their Existing Ordinary Shares in uncertificated form through CREST will retain their Existing Ordinary Shares and the security description will be updated to reflect the new nominal value of the Ordinary Shares from the Capital Reorganisation Effective Date. The ISIN and SEDOL numbers of the New Ordinary Shares will be the same as the Existing Ordinary Shares.

No application will be made to the London Stock Exchange for the Deferred Shares to be admitted to trading on AIM nor will any such application be made to any other exchange. No CREST accounts of Shareholders will be credited in respect of any entitlement to any Deferred Shares. No share certificates will be issued for the Deferred Shares.

## 5. SUMMARY UNAUDITED RESULTS FOR 2016

Set out below are the summary unaudited results for the financial year ended 31 December 2016 which were announced on 24 May 2017. The Company expects to issue the full audited 2016 results following completion of the Fundraising.

The Company expects to report that in the year ended 31 December 2016, its revenues increased by 145% to £98.8 million (2015: £40.4 million) and a gross profit (before exceptional items) of £7.1 million (2015: £3.5 million). After exceptional items totalling approximately £22.1 million, the Group expects to report a loss before taxation of approximately £45.8 million (2015: £17.1 million loss). As at 31 December 2016, net liabilities were £14.7 million (31 December 2015: Net assets of £29.0 million).

The Company incurred £22.1 million of exceptional items during 2016 as it took the prudent view to impair and make provisions against certain assets of the microCHP product and certain business reorganisation costs. These being:

- £18.2 million of impairment against the historic investments in the microCHP development asset;
- £3.3 million provision against supply chain commitments and inventory; and
- £0.6 million of adjustments to recognised assets and liabilities.

The summary unaudited financial statements are set out in Part 5 of this document.

## 6. PROPOSED BOARD CHANGES

With effect from Admission, both Clare Spottiswoode and Henry Cialone will be standing down as Directors of the Company. John Johnston will become Non-Executive Chairman immediately following Admission. It is also intended that Brian Carroll and Brad Tirpak, who are both representatives of Palm Ventures and Jamie Brooke, of Lombard Odier Investment Managers, will be appointed to the Board in a non-executive capacity with effect from Admission. Summary CVs of Messrs. Carroll, Tirpak and Brooke are set out below. Further announcements relating to their intended appointments will be made prior to such appointments becoming effective.

**Brian F. Carroll** is the Managing Partner of Carroll Capital LLC. He was a member of Kohlberg Kravis Roberts & Co. L.P. (“KKR”) a global alternative asset management firm. He joined KKR in

1995 and was most recently the Head of the Consumer and Retail teams in Europe. He was also a member of the European Investment Committee. He currently serves on the Board of Directors of Laureate Education, Inc. and previously served as a member of the Board of Directors of AEP Industries, Afriflora Holdings, The Boyds Collection, Ltd., Cognita Ltd., Harman International Industries, Borden Inc., Northgate Information Solutions, Pets at Home Group plc, Rockwood Holdings, Inc., Sealy Corporation, and SMCP Groupe. Prior to joining KKR, Mr. Carroll was with Donaldson, Lufkin & Jenrette where he worked on a broad range of high yield financing, corporate finance and merchant banking transactions. He earned a B.S. and B.A.S. from the University of Pennsylvania and a M.B.A. from the Stanford University Graduate School of Business.

**Bradley Tirpak** is a Managing Director at Palm Ventures where he focuses on small cap public companies. He was the founder of Locke Partners and managed various investment partnerships that focused on engaging public companies to improve corporate governance and improve shareholder returns. From 1996 until 2008, he worked as a portfolio manager at Credit Suisse First Boston, Caxton Associates, and Sigma Capital Management. Prior to his career on Wall Street, Mr. Tirpak founded Access Telecom, Inc., an international telecommunications company based in Mexico City. He has served on the Board of Directors of USA Technologies, Inc., Applied Minerals, Inc. and currently serves as the Chairman of the Board of Full House Resorts, Inc. Bradley Tirpak earned a Bachelor of Science in Mechanical Engineering from Tufts University and an M.B.A. from Georgetown University.

**Jamie Brooke** is a fund manager at Lombard Odier and is founder and lead Portfolio Manager for the 1798 Volantis Catalyst Funds I & II and also leads the team's active engagement capability. Jamie has over ten years of quoted small-cap experience alongside ten years of private equity and venture capital experience at 3i and Quester. Jamie is an ACA Chartered Accountant, has a Mathematics degree from Oxford University and an Internet & Telecommunications MSC from UCL.

## 7. BOARD REMUNERATION

In addition to their commitment to participate in the Placing and the Open Offer referred to above and in order to demonstrate further alignment with both existing Shareholders and incoming investors, certain of the Directors have undertaken to receive part of their salary or fees, for the twelve months following Admission, in the form of new Ordinary Shares at the Issue Price. Tony Stiff, Chief Executive, has agreed to receive £50,000 of his gross salary in the form of new Ordinary Shares at the Issue Price. In addition, David Grundy and John Johnston, Non-Executive Directors, have agreed to take half their fees in new Ordinary Shares. Further, shortly after completion of the Transaction, the Board (as enlarged by the Proposed Directors) will review existing remuneration and incentivisation arrangements. Further announcements will be made as appropriate following completion of the Transaction and such review.

## 8. GENERAL MEETING

The Directors do not currently have authority to carry out the Capital Reorganisation or to allot all of the New Ordinary Shares. Accordingly, the Board is seeking the approval of Shareholders at the General Meeting to effect the Share Capital Reorganisation, allot and issue the New Ordinary Shares in connection with the Fundraising and to disapply statutory preemption rights (including for the issue of Preference Shares should any Loan Notes be converted by the Loan Note holders).

A notice convening the General Meeting, which is to be held at the offices of Flow Energy, North Felaw Maltings, 48 Felaw Street, Ipswich IP2 8PN at 10.00 a.m. on 12 June 2017, is set out at the end of this document. At the General Meeting, the following Resolutions will be proposed:

### ORDINARY RESOLUTIONS

1. The approval of the creation of the Loan Notes and the issue of an aggregate of £15,500,000 of the Loan Notes to Palm and to LOIM, including approval of the remaining Notes being issued to satisfy interest payments and an arrangement fee of £193,750;
2. The approval of the Capital Reorganisation;
3. The authorisation of the Directors to allot Preference Shares on conversion of the Loan Notes;
4. The authorisation of the Directors to allot Ordinary Shares pursuant to the Placing and Open Offer, the PrimaryBid Offer, the subscriptions by Palm and LOIM and the conversion of Preference Shares into Ordinary Shares;

## SPECIAL RESOLUTIONS

5. The disapplication of statutory pre-emption rights in respect of the allotment of Preference Shares pursuant to a conversion of the Loan Notes;
6. The disapplication of statutory pre-emption rights in respect of the allotment of Ordinary Shares in connection with the Placing, the Primary Bid Offer, the Open Offer and the subscriptions by Palm and LOIM; and
7. The amendment of the Articles to include, amongst other things, the rights of the Deferred Shares and the Preference Shares.

## 9. ACTION TO BE TAKEN

### ***General Meeting***

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 and sign the form of proxy in accordance with the instructions printed on it and then to return it to the Company's Registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen B63 3DA. Completed forms of proxy should be returned to the Company's registrars so as to be received by no later than 10.00 a.m. on 10 June 2017. The completion and return of a form of proxy will not preclude you from attending the General Meeting and voting in person should you so wish.

### ***Open Offer***

#### ***Qualifying Non-CREST Shareholders***

If you are a Qualifying Non-CREST Shareholder you will have received an Application Form which gives details of your maximum entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Open Offer Shares under the Open Offer (whether in respect of your Open Offer Entitlement or both your Open Offer Entitlement and any entitlement under the Excess Application Facility), you should complete the accompanying Application Form in accordance with the procedure for application set out in paragraph 3 of Part 3 of this document and on the Application Form itself.

#### ***Qualifying CREST Shareholders***

If you are a Qualifying CREST Shareholder and do not hold any Ordinary Shares in certificated form, no Application Form accompanies this document and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your maximum entitlement under the Open Offer except (subject to certain exceptions) if you are an Overseas Shareholder who has a registered address in, or is a resident in or a citizen of a Restricted Jurisdiction. Applications by Qualifying CREST Shareholders for Excess Shares in excess of their Open Offer Entitlements should be made in accordance with the procedures set out in paragraph 3 of Part 3 of this document, unless you are an Overseas Shareholder in which event, applications should be made in accordance with the procedures set out in paragraph 7 of Part 3 of this document.

**The latest time for applications under the Open Offer to be received is 11.00 a.m. on 9 June 2017. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part 3 of this document.**

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

## 10. RECOMMENDATION AND IRREVOCABLE UNDERTAKINGS

The Directors consider that the Fundraising and the related resolutions to be put to Shareholders at the General Meeting are in the best interests of the Company and its Shareholders and unanimously recommend that Shareholders vote in favour of the Resolutions, as they have irrevocably undertaken to do in respect of their own interests in Ordinary Shares, which represent, in aggregate, approximately 1.6 per cent. of the Existing Ordinary Shares.



The Fundraising is conditional, *inter alia*, upon the passing of the Resolutions to be proposed at the General Meeting. Shareholders should be aware that if the Resolutions are not approved at the General Meeting, the Fundraising will not proceed in its entirety. Should the Fundraising not proceed and, without access to alternative finance of an amount similar in size to that of the Fundraising in the near term, the working capital available to the Company will not be sufficient for its requirements and it may well have insufficient working capital to trade as a going concern.

Yours sincerely,

**Clare Spottiswoode**  
Non-Executive Chairman  
Flowgroup plc

## PART 2 — RISK FACTORS

An investment in the Company is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Company, potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including (but not limited to) the risk factors described below, before making any investment decision with respect to the New Ordinary Shares. The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Company is exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. If any of the following risks were to materialise, the Group's business, financial condition, results, prospects and/or future operations might be materially adversely affected. In such case, the value of the Ordinary Shares might decline and investors might lose all or part of their investment.

### 1. GENERAL RISKS

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making a decision to invest.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the commercial objectives of the Company will be achieved. Investors may not get back the full amount initially invested. The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

In addition to all of the other information set out in this document, the following specific risk factors should be carefully considered by any person in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a personal adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities.

The Directors believe the following risks to be the most significant. However, the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

If any of the following risks were to materialise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Company's shares could decline and an investor may lose part or all of their investment.

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

##### 1.1 *The Transaction may not complete*

The Placing, the Open Offer, the Primary Bid Offer, the Loan Note Subscription and the Capital Reorganisation are and will each be conditional on, and accordingly the Fundraising as a whole is and will be conditional on, amongst other things, the passing of the Resolutions to be proposed at the General Meeting. Shareholders should be aware that if the Resolutions are not approved at the General Meeting, the Fundraising will not proceed in its entirety.

Should the Fundraising not proceed, without access in the near term to alternative finance of an amount of similar size to that of the Fundraising, the working capital available to the Company will not be sufficient for its requirements and it may well have insufficient working capital to trade as a going concern.

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

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

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

The Group's future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. The Directors cannot give assurances that members of the senior management team and the executive Directors will continue to remain within the Group. The loss of the services of any of the Directors, members of senior management or other key employees could have a material adverse effect upon the Group's business and results of operations. Finding and hiring any such replacements could be costly.

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

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

#### 1.5 ***Use of net proceeds and potential requirement for further investment***

The use of net proceeds from the Fundraising set out in this document is based on management's current expectations. Whilst there are some restrictions on the Company's use of net proceeds, it is possible that the Company may deviate from this. Investors will not have the opportunity to evaluate the economic, financial or other information on which the Company bases its decisions on how to use the net proceeds of the Fundraising. The failure of the Company's management to apply these funds effectively could harm investor confidence and cause the price of the Ordinary Shares to decline.

In addition, any future acquisitions, expansion, activity and/or business development may require additional capital, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities or convertible securities, dilution to the then existing shareholdings may result. Debt funding may require assets of the Group to be secured in favour of the lender, which security may be exercised if the Group were to be unable to comply with the terms of the relevant debt facility agreement. The level and timing of future expenditure will depend on a number of factors, many of which are outside the Group's control. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon any planned acquisition opportunities, expansion, activity and/or business development. The above could have a material adverse effect on the Group.

#### 1.6 ***Competition risks***

The Company operates in the highly competitive energy services sector. There can be no guarantee that the Group's competitors have not already developed and/or will not develop products and services which are competitive to those supplied by the Group or which reduce the appeal of the Group's products from time to time and there can be no assurances that the availability of any such products and services will not adversely affect future demand for

the Group's own products and services. The Group's competitors may have or develop greater financial, marketing and technological resources than the Group enabling them to develop products and services which are competitive to those of the Group and to promote them more successfully than the Group.

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

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Group operates and conducts its principal activities, which are currently in the United Kingdom.

**1.8 *Market risks***

The Group may be affected by general market trends which are unrelated to the performance of the Group itself. The Group's success will depend on market acceptance of the Group's products and there can be no guarantee that this acceptance will be forthcoming. Market opportunities targeted by the Group may change and this could lead to an adverse effect upon its revenue and earnings.

**1.9 *Taxation risk***

Any change in the Company's tax status or in taxation legislation or its interpretation, could affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the specific circumstances of the relevant investor. The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available.

**1.10 *Dependence on suppliers***

The Group has historically relied on and following the Transaction, will continue to rely on certain key suppliers including Shell. The Group is dependent on its relationship with Shell for the supply of wholesale energy. It is possible that existing arrangements between the Group and its key suppliers may change materially, or that the Company may breach certain contractual conditions currently in place with them. Furthermore, there can be no guarantee that these suppliers will be able to develop and supply inputs to meet the Company's requirements for quality, quantity, lead time and cost. Such events may have a material adverse effect on the Group's business and prospects.

**1.11 *Key partner dependency***

The Group has partnered with a number of service providers to enhance its offering. There is a risk that these partnerships may end, which may result in the loss of customers and an adverse effect on the Group's performance or business prospects.

**1.12 *Intellectual property***

The Group protects its intellectual property through a variety of methods, including proprietary information and invention agreements and non-disclosure agreements entered into by the Company and its employees and contractors, and non-disclosure agreements with its partners and customers.

Any failure to protect the Group's intellectual property may result in another party copying or otherwise obtaining and using its proprietary technology without authorisation. The steps which the Group has taken and intends to take to protect its intellectual property may be inadequate to prevent the misappropriation of its proprietary technology. Any misappropriation of the Group's intellectual property could have a negative impact on the Group's business and its operating results. Furthermore, the Group may need to take legal action to enforce its intellectual property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third party rights, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation, or that it can be effectively used to enforce the Group's rights.

### **1.13 Customer growth**

The Group's growth strategy is reliant on its ability grow its Flow Energy customer base. For a variety of reasons including competition, regulatory and wider market influences, it may not be possible for the Group to attract new customers at the desired rate. Failure to do so could harm the Group's business and its operations.

### **1.14 Exchange rates**

A significant portion of the Company's expenses have historically been derived from overseas costs which has recently adversely impacted the Company's operations, particularly following the result of the UK Referendum on membership of the EU on 23 June 2016. The business may in future continue to be impacted by exchange rate fluctuations that could have a significant adverse impact on the Group's business, operations and financial results.

### **1.15 Legislative and regulatory changes**

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

### **1.16 Profitability and commercialisation**

No representations or assurances as to future profitability or dividends can be given by the Company, since these elements are dependent on the future success of the Company's strategy.

The Group has encountered and will encounter risks and uncertainties frequently experienced by growing companies in changing industries, such as the risks and uncertainties described herein. If the Directors' assumptions regarding these risks and uncertainties and future revenue growth (each of which are used by the Group to plan its business) are incorrect or change, or if the Group does not address these risks successfully, its operating and financial results could differ materially from the Directors' expectations and the business could suffer.

Furthermore, the Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside its control. Factors that may affect the Company's operating results include increased competition, an increased level of expenses, technological change necessitating additional capital expenditure, slower than expected sales and changes to the statutory and regulatory regime in which it operates. It is possible that, in the future, the Company's operating results may fall below the expectations of market analysts or investors. If this occurs, the trading price of the Company's Ordinary Shares may decline significantly.

## **2. RISKS RELATING TO THE ORDINARY SHARES**

### **2.1 Suitability**

Investment in the Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly advised to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decisions.

### **2.2 Dilution**

Existing Shareholders' proportionate ownership and voting interest in the Company will be significantly reduced pursuant to the Fundraising, including to the extent that existing Shareholders do not take up the offer of Open Offer Shares under the Open Offer. In particular, the dilution to Existing Shareholders that may arise from conversion of the Loan Notes will be substantial. Subject to certain exceptions, existing Shareholders in the United States and other Restricted Jurisdictions will not be able to participate in the Open Offer.

### **2.3 *Investment in AIM-traded securities***

Investment in shares traded on AIM involves a higher degree of risk, and such shares may be less liquid, than shares in companies which are listed on the Official List. The AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for the admission of the Company's securities to the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

### **2.4 *Share price volatility and liquidity***

The share price of quoted companies can be highly volatile and shareholdings can be illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its operations and others which may affect quoted companies generally. These factors could include the performance of the Group, large purchases or sales of the Ordinary Shares, currency fluctuations, legislative changes and general economic, political, regulatory or social conditions.

### **2.5 *Access to further capital***

The Group may require additional funds to respond to business challenges or to enhance existing products and services. Accordingly, the Group may need to engage in equity or debt financings to secure additional funds. If the Company raises additional funds through further issues of equity or convertible debt securities, existing Shareholders could suffer significant dilution, and any new equity securities could have rights, preferences and privileges superior to those of current Shareholders. Any debt financing secured by the Group in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for the Group to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, the Company may not be able to obtain additional financing on terms favourable to it, if at all. If the Group is unable to obtain adequate financing or financing on terms satisfactory to it, when the Group requires it, the Group's ability to continue to support its business growth and to respond to business challenges could be significantly limited or could affect its financial viability.

### **2.6 *Future sale of Ordinary Shares***

The Company is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares. The Group may require additional capital in the future which may not be available to it. If available, future financings to provide this capital may dilute Shareholders' proportionate ownership in the Company. The Company may raise capital in the future through public or private equity financings or by raising debt securities convertible into Ordinary Shares, or rights to acquire these securities. Any such issues may exclude the pre-emption rights pertaining to the then outstanding shares. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the Company's existing Shareholders. Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. The Company may also issue further Ordinary Shares, or create further options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create a substantial dilution in the value of the Ordinary Shares and the proportion of the Company's share capital in which investors are interested.

## PART 3 — TERMS AND CONDITIONS OF THE OPEN OFFER

### Introduction

As explained in the letter from the Chairman set out in Part 1 of this document, the Company is proposing to raise up to approximately £29.1 million (between approximately £24.6 million and £27.9 million, net of expenses, dependant upon the level of take-up under the Open Offer) by way of the Placing, the Open Offer and PrimaryBid Offer and the Loan Note Subscription, of which up to approximately £3.45 million (before expenses) may be raised from the offer of the Open Offer Shares at the Issue Price to Qualifying Shareholders under the Open Offer.

The purpose of this Part 3 is to set out the terms and conditions of the Open Offer. Up to 345,140,302 new Ordinary Shares will be issued through the Open Offer. Qualifying Shareholders are being offered the right to subscribe for Open Offer Shares in accordance with the terms of the Open Offer. The Open Offer is not being underwritten.

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 6.00 p.m. on 24 May 2017. Application Forms for Qualifying Non-CREST Shareholders accompanying this document will be posted on 25 May 2017 and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST by 26 May 2017.

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

The latest time and date for receipt of a completed Application Form and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. on 9 June 2017 with Admission and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. on 13 June 2017.

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

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

The Open Offer Shares will be issued only pursuant to the Open Offer and, subject as set out in this section, will not otherwise be marketed or made available in whole or in part to the public.

The Open Offer is an opportunity for Qualifying Shareholders to apply for up to 345,140,302 Open Offer Shares *pro rata* (excepting fractional entitlements) to their current holdings at the Issue Price in accordance with the terms of the Open Offer.

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

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

### 1. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), Qualifying Shareholders are being given the opportunity under the Open Offer to subscribe for Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares as at the Record Date, payable in full on application. The

Issue Price represents a discount of 11.1 per cent. to the closing mid-market price of 1.125 pence per Existing Ordinary Share on 24 May 2017 (being the last practicable date before publication of this document).

Subject to the terms and conditions set out below and, where relevant, in the Application Form, the Company hereby invites Qualifying Shareholders to apply for Open Offer Shares at the Issue Price, payable in full in cash on application, free of all expenses, on the basis of:

- (a) 25 Open Offer Shares for every 23 Existing Ordinary Shares held by them and registered in their names at the close of business on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held; and
- (b) further Open Offer Shares in excess of their Open Offer Entitlement through the Excess Application Facility (although such Open Offer Shares will only be allotted to the extent that not all Qualifying Shareholders apply for their Open Offer Entitlement in full).

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

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

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 3) and your Open Offer Entitlement (in Box 4).

If you are a Qualifying CREST Shareholder, application will be made for your Open Offer Entitlement and Excess CREST Open Offer Entitlement to be credited to your CREST account. Open Offer Entitlements and Excess CREST Open Offer Entitlements are expected to be credited to CREST accounts on 26 May 2017. The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

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

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

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

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



**Application Facility. Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer. If valid acceptances are not received in respect of all the Open Offer Shares under the Open Offer, unallocated Open Offer Shares may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility. The Open Offer is not being underwritten.**

**The attention of Overseas Shareholders is drawn to paragraph 7 of this Part 3.**

The gross proceeds of the Open Offer will amount to a maximum of up to approximately £3.45 million. The Open Offer Shares (assuming full take up thereunder) will represent approximately 20.6 per cent. of the Enlarged Share Capital.

The Open Offer Shares will, when issued and fully paid, rank in full for all dividends and other distributions declared, made or paid after the date of this document and otherwise *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

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

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

- (a) the passing of the Resolutions at the General Meeting;
- (b) the Placing Agreement having become or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and
- (c) Admission of the Placing Shares occurring not later than 8.00 a.m. on 13 June 2017 (or such later time and/or date as the Company and Cenkos may agree being no later than 8.00 a.m. on 27 June 2017).

Accordingly, if these conditions are not satisfied or waived (where capable of waiver), the Open Offer will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (in each case at the applicant's sole risk), without payment of interest, as soon as practicable, but within 14 days thereafter. Any Open Offer Entitlements admitted to CREST will thereafter be disabled.

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

In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST as soon as practicable after 8.00 a.m. on 13 June 2017.

Application will be made for the Open Offer Shares to be admitted to trading on AIM. Admission is expected to occur on 13 June 2017, when dealings in the Open Offer Shares are expected to begin.

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

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

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

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

Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open

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

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

**Qualifying Shareholders who do not want to apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form, or send an unmatched stock event message through CREST. Qualifying Shareholders, however, are encouraged to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy.**

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

#### **(a) General**

Subject to paragraph 7 of this Part 3 “Terms and Conditions of the Open Offer” in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 3. It also shows the Open Offer Entitlement allocated to them set out in Box 4. Entitlements to Open Offer Shares are rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be aggregated and made available under the Excess Application Facility. Box 5 shows how much Qualifying Non-CREST Shareholders would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

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

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

#### **(b) Bona fide market claims**

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be sold, assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 7 June 2017. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should contact his broker or other professional adviser authorised under FSMA through whom the sale or purchase was effected as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the purchaser(s) or transferee(s).

Qualifying Non-CREST Shareholders who have sold all or part of their registered holding should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through

whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into any Restricted Jurisdiction, including, without limitation, the United States. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedure set out in paragraph 3.2 below.

(c) *Application procedures*

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

Completed Application Forms should be posted to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen B63 3DA or returned by hand (during normal business hours only) so as to be received by the Receiving Agent by no later than 11.00 a.m. on 9 June 2017. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid. The Company further reserves the right (but shall not be obliged) to accept either Application Forms or remittances received after 11.00 a.m. on 9 June 2017. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. Multiple applications will not be accepted. If an Application Form is being sent by first-class post in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four business days for delivery.

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

- (i) Application Forms received after 11.00 a.m. on 9 June 2017; or
- (ii) applications in respect of which remittances are received before 11:00 a.m. on 9 June 2017 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two business days.

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

(d) *Payments*

All payments must be in sterling and made by cheque made payable to Neville Registrars Limited Re: Clients a/c and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

Cheques will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity (and withhold definitive share

certificates (or credit to the relevant member account, as applicable) pending clearance thereof). It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents and cheques sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable, but within 14 days, following the lapse of the Open Offer.

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

(e) *Incorrect Sums*

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

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

All monies received by the Receiving Agent in respect of Open Offer Shares will be held in a separate non-interest bearing account.

(f) *The Excess Application Facility*

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

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

Should the Open Offer become unconditional and applications for Open Offer Shares exceed 345,140,302 Open Offer Shares, resulting in a scale back of applications, each Qualifying Non-CREST Shareholder who has made a valid application for Excess Shares and from whom payment in full for the Excess Shares has been received will receive a sterling amount equal to the number of Excess Shares applied and paid for but not allocated to the relevant Qualifying Non-CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, but within 14 days thereafter, without payment of interest and at the applicant's sole risk.

(g) *Effect of application*

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

- (i) represents and warrants to the Company and Cenkos that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and Cenkos that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;
- (iii) confirms to the Company and Cenkos that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information in relation to the Company contained in this document (including information incorporated by reference);
- (iv) represents and warrants to the Company and Cenkos that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlement;
- (v) represents and warrants to the Company and Cenkos that if he has received some or all of his Open Offer Entitlement from a person other than the Company he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) requests that the Open Offer Shares to which he will become entitled shall be issued to him on the terms set out in this document and the Application Form;
- (vii) represents and warrants to the Company and Cenkos that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States of America or any other Restricted Jurisdiction and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the account or benefit of, a person who is in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States of America or any other Restricted Jurisdiction (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its sole and absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor any person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (viii) confirms that the Open Offer Shares have not been offered to the applicant by the Company, Cenkos, any of their respective affiliates or any person acting on any of their behalves by means of any "directed selling efforts", as defined in Regulation S under the Securities Act, or "general solicitation" or "general advertising", within the meaning of Rule 502(c) under the Securities Act;
- (ix) confirms that he is acquiring the Open Offer Shares from the Company in an "offshore transaction", as defined in Regulation S under the Securities Act;
- (x) represents and warrants to the Company and Cenkos that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and

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

Further representations and warranties are contained in the Application Form.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen B63 3DA on +44 (0)121 585 1131. Calls are charged at the caller's standard network rate. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Neville Registrars cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

(h) *Proxy*

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

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

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

(a) *General*

Subject to paragraph 7 of this Part 3 "Terms and Conditions of the Open Offer" in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlement equal to the maximum number of Open Offer Shares for which he is entitled to apply under the Open Offer plus the number of Excess Shares for which he is entitled to apply under the Excess CREST Open Offer Entitlement. Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any Open Offer Entitlements have therefore also been rounded down. Any fractional entitlements to Open Offer Shares arising will be aggregated and made available under the Excess Application Facility.

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

If for any reason Open Offer Entitlements and/or the Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 5.00 p.m. on 26 May 2017, or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlement and Excess CREST Open Offer Entitlement which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive an Application Form.

CREST members who wish to apply to acquire some or all of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below.

**If you have any questions relating these procedures, please contact the Receiving Agent, Neville Registrars on +44 (0)121 585 1131. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.00 p.m., Monday to Friday excluding public holidays in England and Wales. Please**

**note that Neville Registrars cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.**

(b) *Market claims*

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

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

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

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

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

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

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlements being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer Entitlements. This is GB00BYX1HR33;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in their capacity as a CREST receiving agent. This is 7RA11;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is FLOW;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 9 June 2017; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 9 June 2017. In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

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

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 9 June 2017 in order to be valid is 11.00 a.m. on that day. In the event that the Placing and the Open Offer do not become unconditional by 8.00 a.m. on 13 June 2017 (or such later time and date as the Company and Cenkos determine being no later than 8.00 a.m. on 27 June 2017), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amounts paid by Qualifying CREST Shareholders by way of a CREST payment, without interest, as soon as practicable thereafter.

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

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

- (i) the number of Excess Shares for which application is being made (and hence being delivered to the Receiving Agent);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00BYX1HT56;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA11;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is FLOW;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 9 June 2017; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 9 June 2017.

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

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

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 9 June 2017 in order to be valid is 11.00 a.m. on that day.

In the event that the Placing and the Open Offer do not become unconditional by 8.00 a.m. on 13 June 2017 (or such later time and date as the Company and Cenkos determine being no later than 8.00 a.m. on 27 June 2017), the Open Offer will lapse, the Open Offer



Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable, but within 14 days thereafter.

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

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the Open Offer Entitlement and entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 9 June 2017. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by the Receiving Agent.

In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility set out in such Application Form as Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 7 June 2017 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 7 June 2017 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements and the entitlement to apply under the Excess Application Facility, as the case may be, prior to 11.00 a.m. on 9 June 2017.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "INSTRUCTIONS FOR DEPOSITING THE OPEN OFFER ENTITLEMENTS INTO CREST" on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it/they is/are not in the United States or citizen(s) or resident(s) of any Restricted Jurisdiction and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(g) *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 9 June 2017 will constitute a valid application under the Open Offer.

(h) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored

member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 9 June 2017. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(i) *Proxy*

If a Qualifying CREST Shareholder does not wish to apply for the Open Offer Shares under the Open Offer, they should take no action. They are however, encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy.

(j) *Incorrect or incomplete applications*

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

(k) *The Excess Application Facility*

The Excess Application Facility enables Qualifying CREST Shareholders, who have taken up their Open Offer Entitlement in full, to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Open Offer Entitlements, the Excess Shares may be allocated in such manner as the Directors may determine in their absolute discretion and no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all. Excess CREST Open Offer Entitlements may not be sold or otherwise transferred. Subject as provided in paragraph 7 of this section in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with Excess CREST Open Offer Entitlements to enable applications for Excess Shares to be settled through CREST. Qualifying CREST Shareholders should note that, although the Open Offer Entitlement and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities. Neither the Open Offer Entitlement nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

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

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

Should the Open Offer become unconditional and applications for Open Offer Shares by Qualifying Shareholders under the Open Offer exceed 345,140,302 Open Offer Shares, resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application pursuant to his Excess CREST Open Offer Entitlement and from whom payment in full for the excess Open Offer Shares has been received, will receive a sterling amount equal to the number of Open Offer Shares validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable but within 14 days following the completion of the scale back, without payment of

interest and at the applicant's sole risk by way of cheque or CREST payment, as appropriate. Fractions of Open Offer Shares will be aggregated and made available under the Excess Application Facility.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable, but within 14 days thereafter by way of cheque or CREST payment, as appropriate.

**All enquiries in connection with the procedure for applications under the Excess Application Facility and your Excess CREST Open Offer Entitlement should be addressed to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen B63 3DA or by contacting the Neville Registrars shareholder helpline on +44 (0)121 585 1131. Calls are charged at the caller's standard network rate. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Neville Registrars cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.**

(l) *Effect of valid application*

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

- (i) represents and warrants to the Company and Cenkos that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees with the Company and Cenkos that all applications under the Open Offer and contracts resulting therefrom, and non-contractual obligations related thereto, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) confirms to the Company and Cenkos that in making the application he is not relying on any information or representation in relation to the Company other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all the information in relation to the Company contained in this document (including information incorporated by reference);
- (v) represents and warrants that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements;

- (vi) represents and warrants to the Company and Cenkos that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a bona fide market claim;
  - (vii) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to the memorandum of association and articles of association of the Company from time to time;
  - (viii) represents and warrants to the Company and Cenkos that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States of America or any other Restricted Jurisdiction and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the account or benefit of, a person who is in the United States or who is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of the United States of America or any other Restricted Jurisdiction (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its sole and absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor any person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
  - (ix) confirms that the Open Offer Shares have not been offered to the applicant by the Company, Cenkos, any of their respective affiliates or any person acting on any of their behalves by means of any “directed selling efforts”, as defined in Regulation S under the Securities Act, or “general solicitation” or “general advertising”, within the meaning of Rule 502(c) under the Securities Act;
  - (x) confirms that he is acquiring the Open Offer Shares from the Company in an “offshore transaction”, as defined in Regulation S under the Securities Act;
  - (xi) represents and warrants that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in sections 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986; and
  - (xii) confirms that in making the application he is not relying and has not relied on Cenkos or any person affiliated with the Company or Cenkos in connection with any investigation of the accuracy of any information contained in this document or his investment decision.
- (m) *Company’s discretion as to the rejection and validity of applications*
- The Company may in its sole discretion:
- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this section “Terms and Conditions of the Open Offer”;
  - (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
  - (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the “first instruction”) as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent have received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
  - (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or

CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

(n) *Lapse of the Open Offer*

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 13 June 2017 or such later time and date as the Company and Cenkos Securities may agree (being no later than 8.00 a.m. on 27 June 2017), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by Qualifying CREST Shareholders by way of a CREST payments, without interest, as soon as practicable, but within 14 days thereafter.

#### 4. Money Laundering Regulations

##### 4.1 Holders of Application Forms

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

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

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

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

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

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC));

- (ii) if the acceptor is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximately £12,900 as at 5:30 p.m. on the Record Date).

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

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

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact Neville Registrars on +44 (0)121 585 1131. Calls are charged at the caller's standard network rate. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Neville Registrars cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If an Application Form is in respect of Open Offer Shares with an aggregate subscription price of the sterling equivalent of €15,000 (approximately £12,900 as at 5.30 p.m. on the Record Date) or more and is lodged by hand by the acceptor in person, or if the Application Forms in respect of Open Offer Shares is lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 9 June 2017, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the payee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

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

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

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

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

The result of the Open Offer is expected to be announced on 12 June 2017. Applications will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. Subject to the Placing and Open Offer becoming unconditional in all respects, it is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8.00 a.m. on 13 June 2017.

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

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 9 June 2017 (the latest date for applications under the Open Offer). If the condition(s) to the Open Offer described above are satisfied, New Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company.

On 26 May 2017, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders with such Qualifying CREST Shareholders' entitlements to Open Offer Shares with effect from Admission. The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE instruction was given. Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST. Qualifying CREST Shareholders should note that they will be sent no confirmation of the credit of the Open Offer Shares to the CREST stock account nor any other written communication by the Company in respect of the issue of the Open Offer Shares.

For Qualifying non-CREST Shareholders who have applied by using an Application Form, share certificates for the Open Offer Shares validly applied for are expected to be despatched by post within 10 business days of Admission. No temporary documents of title will be issued. Pending despatch of definitive share certificates, transfers of Open Offer Shares by Qualifying non-CREST Shareholders will be certified against the UK share register of the Company. All documents or remittances sent by, to, from or on behalf of applicants, or as they may direct, will (in the latter case) be sent through the post and will (in both cases) be at the risk of the applicant. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 3.1 above and their respective Application Form.

## **6. No public offering outside the United Kingdom**

The Company has not taken or will not take any action in any jurisdiction that would permit a public offering of Existing Ordinary Shares in any jurisdiction where action for the purpose is required, other than the United Kingdom.

## 7. Overseas Shareholders

The comments set out in this paragraph 7 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

### 7.1 General

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

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

Due to restrictions under the securities laws of the Restricted Jurisdictions and certain commercial considerations, Application Forms will not be sent to, and Open Offer Entitlements and Excess CREST Open Offer Entitlements will not be credited to stock accounts in CREST of, persons who are located or resident in or who have registered addresses in the United States or any other Restricted Jurisdiction, or their agent or intermediary, except where the Company and Cenkos are satisfied, in their respective sole and absolute discretions, that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

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

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

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



Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements and/or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer any Open Offer Entitlements or any Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements and/or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company determines, in its sole and absolute discretion, that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements and/or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 3 “Terms and Conditions of the Open Offer” and specifically the contents of this paragraph 7.

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

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

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

## **7.2 United States**

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

from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

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

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

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

The Company will not be bound to allot or issue any Open Offer Shares to any person with an address in, or who is otherwise located or resident in, the United States in whose favour an Application Form or any Open Offer Shares may be transferred. In addition, the Company reserves the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Open Offer Shares. In addition, until 40 days after the commencement of the Open Offer, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the Open Offer) may violate the registration requirements of the Securities Act.

### **7.3 Restricted Jurisdictions**

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

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

### **7.4 Other overseas territories**

Application Forms will be sent to Qualifying Non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the other Restricted Jurisdictions may, subject to the laws of

their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United Kingdom should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares in respect of the Open Offer.

## 7.5 Representations and warranties relating to Overseas Shareholders

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

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

### (b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part 3 "Terms and Conditions of the Open Offer" represents and warrants to the Company and Cenkos that, except where proof has been provided to the Company's satisfaction, in its sole and absolute discretion, that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) neither he or she nor his or her client is within the United States or any other Restricted Jurisdiction; (ii) neither he or she nor his or her client is in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) he or she is not accepting on a non-discretionary basis for a person located or resident within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) neither he or she nor his or her client is acquiring any Open Offer Shares with a view the offer, sale, resale, transfer, delivery or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories.

## 7.6 Waiver

The provisions of this paragraph 7 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its sole and absolute discretion with the prior written approval of Cenkos. Subject to this, the provisions of this paragraph 7 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 7 to Shareholders shall

include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 7 shall apply to them jointly and to each of them.

#### **8. Times and Dates**

The Company shall, in agreement with Cenkos and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the London Stock Exchange, and make an announcement on a Regulatory Information Service but Qualifying Shareholders may not receive any further written communication.

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

#### **9. Taxation**

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

#### **10. Further information**

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

#### **11. Governing law and jurisdiction**

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

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

## PART 4 — QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

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

This Part 4 deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 7 of Part 3 entitled “Terms and Conditions of the Open Offer” of this document and you should take professional advice as to whether you are eligible for, and/or whether you need to observe any formalities to enable you to take up, your Open Offer Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read the Part 3 entitled “Terms and Conditions of the Open Offer” of this document for full details of what action you should take.

If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please call the Receiving Agent, Neville Registrars on +44 (0)121 585 1131. Calls are charged at the caller’s standard network rate. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Neville Registrars cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

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

### 1. What is an open offer?

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

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 345,140,302 Open Offer Shares at a price of 1 penny per share. If you hold Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located or resident in the United States, or another Restricted Jurisdiction, you will likely be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 25 Open Offer Shares for every 23 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Offer Share and your entitlement will be rounded down to the nearest whole number. The Issue Price of 1 penny per Open Offer Share represents a discount of approximately 11.1 per cent. to the closing middle-market price quotation as derived from the Daily Official List of the London Stock Exchange of 1.125 pence per Ordinary Share on 24 May 2017 (being the latest practicable date prior to the date of this document).

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

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

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

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located or resident in the United States or any other Restricted Jurisdiction, then you will likely be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 26 May 2017 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

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

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

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

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

If you would like to apply for any of or all of the Open Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be returned, along with a cheque drawn in the appropriate form, by post to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 9 June 2017, after which time Application Forms will not be valid.

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

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

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money when the Open Offer Shares you could have taken up are sold, as would happen under a rights issue. Nevertheless, we encourage you to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy.

You cannot sell your Application Form or your Open Offer Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 9 June 2017, the Company has made arrangements under which it has agreed to issue those Open Offer Shares to other Qualifying Shareholders under the Excess Application Facility.

If you do not take up your Open Offer Entitlement then, following the issue of the Open Offer Shares pursuant to the Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the basic entitlement under the Open Offer, their proportionate economic interest will be diluted by the issue of New Ordinary Shares pursuant to the Excess Application Facility, the Primary Bid Offer and the Placing as well as any new Ordinary Shares issued on conversion of the Loan Notes.

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

If you want to take up some but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Boxes 6 and 8 of your Application Form; for example, if you are entitled to take up 5,000 shares but you only want to take up 2,500 shares, then you should write ‘2,500’ in Boxes 6 and 8. To work out

how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '2,500') by 1 penny, which is the price in sterling of each Offer Share (giving you an amount of £25 in this example). You should write this amount in Box 9, rounding up to the nearest whole pence and this should be the amount your cheque is made out for. You should then return the completed Application Form, together with a cheque for that amount, by post to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 9 June 2017, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four business days for delivery.

All payments must be in sterling and made by cheque made payable to "Neville Registrars Limited Re: Clients a/c" and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

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

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you within 10 business days of Admission.

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

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is send the Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque for the amount (as indicated in Box 5 of your Application Form), by post to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal office hours only) so as to be received by them by no later than 11:00 a.m. on 9 June 2017, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four business days for delivery.

All payments must be in sterling and made by cheque made payable to Neville Registrars Limited Re: Clients a/c and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

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

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you within 10 business days of Admission.

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

Provided you have agreed to take up your Open Offer Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlement as at the Record Date. You should write the number of Open Offer Shares comprised in your Open Offer Entitlement (as indicated in Box 4 of the Application Form) in Box 6 and write the number of Excess Shares for which you would like to apply in Box 7. You should then add the totals in Boxes 6 and 7 and insert the total number of Open Offer Shares for which you would like to apply in Box 8. For example, if you have an Open Offer Entitlement for 5,000 Open Offer Shares but you want to apply for 7,500 Open Offer Shares in total, then you should write '5,000' in Box 6, '2,500' in Box 7 and '7,500' in Box 8. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '7,500') by 1 penny, which is the price in sterling of each Open Offer Share (giving you an amount of £75 in this example). You should write this amount in Box 9. You should then return your Application Form by post to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 9 June 2017, after which time Application Forms will not be valid. If you post your application form by first class post, you should allow at least four business days for delivery.

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

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Open Offer Shares is expected to be despatched to you, at your own risk, within 10 business days of Admission.

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

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

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

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



- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 24 May 2017 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before 24 May 2017 but were not registered as the holders of those shares at close of business on 24 May 2017; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact the Receiving Agent Neville Registrars on +44 (0)121 585 1131. Calls are charged at the caller's standard network rate. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Neville Registrars cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

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

If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 24 May 2017, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. However, notwithstanding the above, you should not contact the buyer if he is located or resident in, is a citizen of, or has a registered office in a Restricted Jurisdiction. If you sell any of your Existing Ordinary Shares on or after 24 May 2017, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

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

Completed Application Forms should be returned with a cheque drawn in the appropriate form. All payments must be in sterling and made by cheque made payable to Neville Registrars Limited Re: Client a/c and crossed "A/C Payee Only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the full name of the building society or bank account holder and has added the building society or bank branch stamp. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted.

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

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

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

The Receiving Agent must receive the Application Form by no later than 11.00 a.m. on 9 June 2017, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four business days for delivery.

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

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained

in the Application Form), and ensure it is delivered to the CREST Courier and Sorting Service in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this.

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

It is expected that the Receiving Agent will post all new share certificates within 10 business days of Admission.

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

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

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

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

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

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

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

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

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

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

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

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

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

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live or are located and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located or resident in the United States or any other Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 7 of the section entitled "Terms and Conditions of the Open Offer" of this document.

## **20. Further assistance**

Should you require further assistance please call the Receiving Agent, Neville Registrars on +44 (0)121 585 1131. Calls are charged at the caller's standard network rate. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Neville Registrars cannot provide any financial, legal or tax advice and calls may be recorded.

**PART 5**

**SUMMARY UNAUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**Unaudited Group Income Statement for the year ended 31 December 2016**

	Year ended 31 December 2016 £'000	Year ended 31 December 2016 £'000	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
	Before exceptional items	Exceptional items Note 2	Total after exceptional items	Total
<b>Revenue</b>	98,796	—	98,796	40,394
Cost of sales	(91,732)	(3,277)	(95,009)	(36,936)
<b>Gross profit</b>	7,064	(3,277)	3,787	3,458
Administrative expenses	(30,612)	(18,823)	(49,435)	(20,538)
<b>Operating loss</b>	(23,548)	(22,100)	(45,648)	(17,080)
Finance income			13	24
Finance costs			(132)	(60)
<b>Loss before income tax</b>			(45,767)	(17,116)
Income tax			1,129	1,831
<b>Loss for the year</b>			(44,638)	(15,285)

## Unaudited Group Statements of Changes in Equity for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Other reserves £'000	Total shareholders' equity £'000
Balance at 1 January 2015	11,975	41,850	(32,705)	(821)	1,722	22,021
Proceeds from shares issued	3,901	18,339	—	—	—	22,240
Share issue costs	—	(951)	—	—	—	(951)
Share-based payments	—	—	—	—	964	964
Transactions with owners for the year	3,901	17,388	—	—	964	22,253
Loss for the year and total comprehensive income	—	—	(15,285)	—	—	(15,285)
Balance at 31 December 2015	15,876	59,238	(47,990)	(821)	2,686	28,989
Share-based payments	—	—	—	—	903	903
Transactions with owners for the year	—	—	—	—	903	903
Loss for the year and total comprehensive income	—	—	(44,638)	—	—	(44,638)
<b>Balance at 31 December 2016</b>	<b>15,876</b>	<b>59,238</b>	<b>(92,628)</b>	<b>(821)</b>	<b>3,589</b>	<b>(14,746)</b>

**Unaudited Group Statement of Financial Position as at 31 December 2016**

	<b>As at 31 December 2016 £'000</b>	As at 31 December 2015 £'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	1,973	19,227
Property, plant and equipment	658	381
	<u>2,631</u>	<u>19,608</u>
<b>Current assets</b>		
Inventories	495	473
Trade and other receivables	20,631	7,369
Current tax receivable	1,231	1,075
Cash and cash equivalents	5,850	18,844
	<u>28,207</u>	<u>27,761</u>
<b>Total assets</b>	<u><u>30,838</u></u>	<u><u>47,369</u></u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	2,182	1,982
<b>Current liabilities</b>		
Borrowings	—	200
Trade and other payables	43,402	16,198
	<u>43,402</u>	<u>16,398</u>
<b>Total liabilities</b>	<u><u>45,584</u></u>	<u><u>18,380</u></u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	15,876	15,876
Share premium	59,238	59,238
Retained earnings	(92,628)	(47,990)
Reverse acquisition reserve	(821)	(821)
Other reserves	3,589	2,686
<b>Total shareholders' equity</b>	<u>(14,746)</u>	<u>28,989</u>
<b>Total equity and liabilities</b>	<u><u>30,838</u></u>	<u><u>47,369</u></u>

## Unaudited Group Statement of Cash Flows for the year ended 31 December 2016

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
<b>Cash flows from operating activities</b>		
Cash consumed by operations	(6,839)	(8,084)
<b>Cash flows from investing activities</b>		
Expenditure on intangible assets	(5,524)	(2,582)
Purchases of property, plant and equipment	(644)	(160)
Interest received	13	24
	(6,155)	(2,718)
<b>Cash flows from financing activities</b>		
Net proceeds from the issue of ordinary shares	—	21,289
	—	21,289
Net increase / (decrease) in cash and cash equivalents	(12,994)	10,487
Cash and cash equivalents at the beginning of the year	18,844	8,357
Cash and cash equivalents at the end of the year	5,850	18,844

### Notes

#### 1. Basis of preparation

The financial information for the year ended 31 December 2016 has been extracted from unaudited management accounts and does not constitute the Group's statutory financial statements. Statutory financial statements for the year ended 31 December 2016 have not yet been prepared, audited or delivered to the Registrar of Companies.

The comparative figures are derived from the Group's statutory financial statements for the year ended 31 December 2015 which carried an 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.

This unaudited financial information has been computed in accordance with IFRS but does not contain sufficient information to fully comply with IFRS.

The accounting policies used in preparation of the unaudited financial information are consistent with those used in the interim report for the 6 months ended 30 June 2016.

#### 2. Exceptional items

Exceptional items comprise:

	2016 £'000	2015 £'000
Write down of inventories	3,277	—
Adjustments to recognised assets and liabilities	648	—
Impairment of intangible assets	18,175	—
	22,100	—

Exceptional items arise from the scaling back of the operations of the 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. Further reorganisation costs will be recognised during 2017 as the Group restructures the Products division in line with the current market opportunity.

The Directors have carried out an impairment review of the microCHP technology derived intangible assets which, after allowing for the uncertainty of the amount and timing of the future cash inflows, gives a negligible value in use. Accordingly, the carrying value of the technology has been impaired in full. However, the Directors continue to believe that the microCHP technology has the potential to be market leading and that the related intangible assets have a continuing value to the Group.

# 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 Flow Energy, North Felaw Maltings, 48 Felaw Street, Ipswich IP2 8PN on 12 June 2017 at 10.00 a.m. to consider, and if thought fit pass, the following resolutions of which resolutions 1 to 4 will be proposed as ordinary resolutions and resolutions 5 to 7 as special resolutions.

### ORDINARY RESOLUTIONS

1. **THAT**, the creation of £20,000,000 principal of 7.5% payments in kind unsecured convertible loan notes (the “Notes”) as described in the Placing and Open Offer document and the issue of £15,500,000 principal of such the Notes of which £9,000,000 are to be issued to Palm Active Energy LP (“**Palm**”), £5,525,000 are to be issued to 1798 Volantis Catalyst Fund II Limited and £975,000 to LMAP Epsilon Limited acting by its discretionary portfolio manager Lombard Odier Investment Managers (“LOIM”) in respect of funds managed by LOIM entities, at par, on payment of the full amount to the Company for such subscription be and is approved and with the remaining principal amount being available to be issued in satisfaction of interest payments on Loan Notes and an arrangement fee of £193,750 to be satisfied by the issue of Notes.
2. **THAT**, each of the existing ordinary shares of 5p each in the issued share capital of the Company (“Existing Ordinary Shares”) be and is sub-divided and re-designated into one new ordinary share of 0.1p in the capital of the Company (“New Ordinary Share”) and one deferred share of 4.9p each in the capital of the Company (each a “Deferred Share”) the New Ordinary Shares having attached to them the same rights and restrictions as the Existing Ordinary Shares (as set out in the articles of association of the Company) and the Deferred Shares having attached to them the rights and restrictions as set out in the Company’s articles of association as amended pursuant to Resolution 7 below.
3. **THAT**, in accordance with section 551 of the Companies Act 2006 (the “Act”), the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot convertible preference shares of £1 each in the Company (“Preference Shares”), such Preference Shares having the rights and being subject to the restrictions as set out in the Company’s articles of association as amended pursuant to Resolution 7 below, pursuant only to conversion of Notes up to a maximum aggregate nominal amount of £20,000,000 (20,000,000 Preference Shares) provided that this authority will expire on the fifth anniversary of the passing of this Resolution (unless renewed varied or revoked by the Company prior to or on that date).
4. **THAT**, in accordance with section 551 of the Companies Act 2006 (the “Act”), the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot Ordinary Shares of 0.1p each in the Company or to grant rights to subscribe for or to convert any security into Ordinary Shares of 0.1p each in the Company up to a maximum aggregate nominal amount of £3,019,166.67 (3,019,166,666 Ordinary Shares) pursuant to the Placing and Open Offer, the PrimaryBid Offer, the subscriptions by Palm and LOIM and the conversion of Preference Shares provided that this authority will expire on the date falling 60 months from the date of the passing of this Resolution (unless renewed varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require Ordinary Shares in the Company or rights to be allotted or granted after this authority expires and that the Directors may allot Ordinary Shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this Resolution had not expired.



## SPECIAL RESOLUTIONS

5. **THAT**, subject to and conditional upon the passing of Resolution 3, in accordance with section 571(1) of the Act, the directors be empowered to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authority conferred by Resolution 3 above, as if section 561 of the Act did not apply to any such allotment, provided that this power shall:
  - be limited to the allotment of Preference Shares pursuant to a conversion of the Notes referred to in Resolution 1 up to an aggregate nominal value of £20,000,000 (20,000,000 Preference Shares); and
  - expire on the fifth anniversary of the date of passing this resolution but may be previously revoked or varied by special resolution and so that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.
6. **THAT**, subject to and conditional upon the passing of Resolution 4, in accordance with section 571(1) of the Act, the directors be empowered to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authority conferred by Resolution 4 above, as if section 561 of the Act did not apply to any such allotment, provided that this power shall:
  - be limited to the allotment of equity securities pursuant to the Placing and Open Offer, the Primary Bid Offer and the subscriptions by Palm and LOIM up to an aggregate nominal value of £1,352,500 (1,352,500,000 Ordinary Shares); and
  - expire on the date falling 6 months from the date of passing this resolution but may be previously varied by special resolution and so that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.
7. **THAT**, the articles of association of the Company be altered as follows:
  - A. by inserting the following definitions in Article 2.1 in the appropriate alphabetical order:
    - “**Additional Shares**” has the meaning given in Article 5;
    - “**Change of Control**” has the meaning given in Article 5;
    - “**Change of Control Exchange Price**” has the meaning given in Article 5;
    - “**Change of Control Period**” has the meaning given in Article 5;
    - “**Conditions**” means the terms and conditions of the Notes;
    - “**Current Market Price**” has the meaning given in Article 5;
    - “**dealing day**” has the meaning given in Article 5;
    - “**Deferred Shares**” has the meaning given in Article 5;
    - “**Dividend**” has the meaning given in Article 5;
    - “**Exchange**” has the meaning given in Article 5;
    - “**Exchange Date**” has the meaning given in Article 5;
    - “**Exchange Price**” means initially 1.2p per Ordinary Share and thereafter subject to adjustment as set out in Article 5.8.15 (b);
    - “**Exempt Newco Scheme**” has the meaning given in Article 5;
    - “**Existing Shareholders**” has the meaning given in Article 5;
    - “**Fair Market Value**” has the meaning given in Article 5;
    - “**Independent Financial Adviser**” has the meaning given in Article 5;
    - “**Investor Director**” has the meaning given in Article 5;
    - “**Investor Majority**” has the meaning given in Article 5;
    - “**Investor Majority Director**” has the meaning given in Article 5;
    - “**Investor Minority Director**” has the meaning given in Article 5;

“**Loan Note Instrument**” means the convertible loan instrument dated on or about 24 May 2017 constituting the Notes;

“**Newco**” has the meaning given in Article 5;

“**Newco Scheme**” has the meaning given in Article 5;

“**Noteholders**” means the holders of the Notes;

“**Notes**” means the £20,000,000 7.5% fixed rate unsecured convertible loan notes 2020 of the Company constituted by the Loan Note Instrument;

“**Paid-up Value**” means £1.00 per Preference Share;

“**Preference Shares**” has the meaning given in Article 5;

“**Preference Share Majority**” means the holders of 50% or more of the Preference Shares then in issue;

“**Preference Share Minority**” means the holders of 33% or more of the Preference Shares then in issue (and who are not also a Preference Share Majority);

“**Retroactive Adjustment**” has the meaning given in Article 5;

“**Relevant Number of Ordinary Shares**” means the number of Ordinary Shares to be issued on the exercise of a Share Exchange Right as determined in Article 5;

“**securities**” has the meaning given in Article 5;

“**Shareholders**” means the holders of Ordinary Shares;

“**Share Exchange Right**” means the right of a holder of a Preference Share to exchange by way of conversion that Preference Share for fully paid Ordinary Shares in accordance with the provisions of Article 5.8;

“**Specified Date**” has the meaning given in Article 5;

“**Specified Share Day**” has the meaning given in Article 5;

“**Spin-Off**” has the meaning given in Article 5;

“**Spin-Off Securities**” has the meaning given in Article 5;

“**Subsidiary**” has the meaning given in Article 5

“**Volume Weighted Average Price**” has the meaning given in Article 5;

B. by the insertion of new Articles 5.6, 5.7, 5.8 and 5.9 in the following form:

“5.6 The share capital of the Company is £3,336,695.74, divided into 3,336,695,744 Ordinary Shares of 0.1p each, 317,529,078 deferred shares of 4.9p each (“Deferred Shares”) and 20,000,000 Preference Shares of £1 each (“Preference Shares”), each having the rights set out in these Articles.”

“5.7 Notwithstanding any other provisions of these Articles, the Deferred Shares shall have the following rights and be subject to the following restrictions:

5.7.1 the holders of the Deferred Shares shall have no right to receive notice of, or attend, speak, or vote at any general meeting of the Company;

5.7.2 the holders of the Deferred Shares shall have no right to receive any dividend or other distribution;

5.7.3 the holders of the Deferred Shares shall have no right to receive certificates in respect of their holdings of Deferred Shares;

5.7.4 the holders of the Deferred Shares shall, on a return of capital or on a winding up or otherwise, be entitled only to the repayment of the amounts paid up on such shares after the repayment of the capital paid up on the Preference Shares and the Ordinary Shares and the payment of £1,000,000 on each Ordinary Share but the holders of the Deferred Shares shall not be entitled to any further participation in the assets or profits of the Company;

5.7.5 the rights attaching to the Deferred Shares shall not be modified, abrogated or varied by the issue of any shares ranking in priority thereto, by the redemption of any shares other than the Deferred Shares or by the cancellation of the Deferred Shares without any payment to the holders thereof;

- 5.7.6 the creation or issue of Deferred Shares shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of all the holders of the Deferred Shares a transfer thereof and/or agreement to transfer the same, without making any payment or obtaining the consent or sanction of the holders thereof, to the Company or such other person or persons as the Company may determine and to cancel the same in accordance with the 2006 Act without making any payment to or obtaining the sanction of the holders thereof and pending such transfer, to retain the certificates (if any) for such shares; and
- 5.7.7 save as provided in Article 5.7.6 the Deferred Shares are not transferable without the written consent of the Company.”
- “5.8 Notwithstanding any other provisions of these Articles, the Preference Shares shall have the following rights and be subject to the following restrictions:
- 5.8.1 the Preference Shares shall confer on each holder of such shares the right to receive notice of and to attend, speak and vote at all general meetings of the Company and each Preference Share shall carry the number of votes per share as is equal to the number of Ordinary Shares that would then be issued on conversion of that Preference Share;
- 5.8.2 the holders of the Preference Shares shall have no right to receive any dividend or other distribution;
- 5.8.3 the holders of the Preference Shares shall, on a return of capital, or on a winding up, or otherwise be entitled, in priority to any payment to be made to the holders of Ordinary Shares and the holders of the Deferred Shares, to a payment of £1.00 per Preference Share and so that if there is a shortfall of assets remaining to satisfy the holders of the Preference Shares in full the proceeds shall be distributed to the holders of the Preference Shares in proportion to the amounts due to each share held;
- 5.8.4 subject to the 2006 Act the Preference Shares may be redeemed in full at the discretion of the Company at any time after the fifth anniversary of their date of allotment by the Company giving to the holders of the Preference Shares no less than 30 days’ notice (“Redemption Notice”) of the redemption and specifying the date of redemption (“Redemption Date”). On the Redemption Date the Company shall pay to each registered holder of Preference Shares £1.00 on each of the Preference Shares held by that registered holder to be redeemed. On receipt of that amount each such holder shall surrender to the Company the certificate for the Preference Shares that are to be redeemed (or an indemnity in a form reasonably satisfactory to the Board in respect of any lost share certificate) to be cancelled;
- 5.8.5 where, following the receipt of a Redemption Notice and at any time before the Redemption Date, the holders of the Preference Shares serve a Conversion Notice in accordance with Article 5.8.6 (in respect of some or all of the Preference Shares) the Redemption Notice shall be deemed to have been immediately withdrawn by the Company to the extent it applies to those Preference Shares the subject of the Conversion Notice;
- 5.8.6 any registered holder of Preference Shares may by notice in writing (“Conversion Notice”) to the Company at any time no later than the fifth anniversary of their date of allotment require conversion of some or all of the Preference Shares held by him (as specified in such Conversion Notice) into Ordinary Shares. Those Preference Shares shall convert automatically on the date that the holder of those Preference Shares requires a conversion (“Exchange Date”);
- 5.8.7 each holder of the relevant Preference Shares shall deliver the certificate (or an indemnity in a form reasonably satisfactory to the Board for any lost share certificate) for the shares being converted (together with such other evidence (if any) as the Board may reasonably require to prove good title to those shares) to the Company at its registered office for the time being;

- 5.8.8 on the Exchange Date, the relevant Preference Shares shall (without any further authority than that contained in these Articles) stand converted into Ordinary Shares on the basis set out in Article 5.8.15 and the Ordinary Shares resulting from the conversion shall rank *pari passu* in all other respects with the existing issued Ordinary Shares;
- 5.8.9 as soon as practicable following the Exchange Date the Company shall enter the holder of the converted Preference Shares on the register as the holder of the appropriate number of Ordinary Shares and subject to the relevant holder of Preference Shares delivering the relevant share certificate (or indemnity or other evidence) in respect of the Preference Shares in accordance with this Article 5.8, the Company shall within 10 business days of the Exchange Date forward a definitive share certificate for the appropriate number of fully paid Ordinary Shares to such holder of Preference Shares by post to his address shown on the register, at his own risk and free of charge or cause the appropriate number of Ordinary Shares to be registered in uncertificated form in a Relevant System in accordance with the Regulations. Where the issued share capital of the Company is admitted to trading on an Exchange the Company shall procure that a duly completed application for admission of the appropriate number of Ordinary Shares is submitted to an Exchange within 5 business days following the Exchange Date;
- 5.8.10 the Preference Shares shall be freely transferable;
- 5.8.11 the holders of 50% or more of the Preference Shares then in issue (a “**Preference Share Majority**”) shall together be entitled i) to appoint two persons to act as non executive Directors of the Company (each an “**Investor Majority Director**”) from time to time and to remove any Investor Majority Director from office and appoint another person to act in his place and ii) to nominate one person to attend and speak as an observer to attend and speak at meetings of the board of directors of the Company (and to receive notice of such meetings and all materials related to such meetings in the same manner as a non executive director of the Company) (but with no power to vote) and at any time to remove the observer and appoint another person to act in his place;
- 5.8.12 the holders of 33.3% or more of the Preference Shares then in issue (and who are not also a Preference Share Majority) (a “**Preference Share Minority**”) shall together be entitled to appoint one person to act as a non executive Director of the Company (an “**Investor Minority Director**” and, together with each Investor Majority Director, an “Investor Director”) from time to time and to remove any Investor Minority Director and appoint another person to act in his place.
- 5.8.13 subject always to the AIM Rules any appointment or removal of an Investor Director or observer under Article 5.8 shall take effect at the time that the notice is received at the Company’s registered office or produced to a Board meeting.
- 5.8.14 The Company shall not, while any Notes remain in issue, (pending either the payment of any redemption moneys in respect of the Notes or the issue of the Preference Shares on conversion, each in accordance with the provisions of the Loan Note Instrument) not without the consent of the Noteholders by Special Resolution (as defined in the Loan Note Instrument) of the Noteholders, (i) alter the Articles in any way which would adversely affect the rights of the Noteholders without the prior sanction of a Special Resolution of the Noteholders or (ii) amend the rights of the Preference Shares as set out in these Articles.
- 5.8.15 (a) **Exercise of Share Exchange Rights**
- The number of Ordinary Shares to be issued on the exercise of a Share Exchange Right (the “**Relevant Number of Ordinary Shares**”) shall be determined by dividing the Paid-up Value (being £1.00 per Preference Share) of the relevant Preference Shares by the exchange price (the “**Exchange Price**”) in effect on the relevant Exchange Date and where necessary rounding that number of Ordinary Shares down to the nearest

whole number of Ordinary Shares. The initial Exchange Price is 1.8p per Ordinary Share and the Exchange Price shall thereafter be subject to adjustment in the circumstances described in the Articles of the Company as summarised in paragraph (b) below.

The exercise of a Share Exchange Right shall be satisfied by the issue and delivery of Ordinary Shares in an amount equal to the Relevant Number of Ordinary Shares, subject to and as provided herein.

Fractions of Ordinary Shares will not be issued and no payment will be made in lieu thereof. If a Share Exchange Right in respect of more than one Preference Share is deemed to be exercised at any one time such that Ordinary Shares in respect of such exercise are to be issued to the same person, the number of Ordinary Shares to be issued in respect thereof shall be calculated on the basis of the aggregate Paid-up Value of such Preference Shares.

**(b) Adjustment of Exchange Price**

Upon the happening of any of the events described below, the Exchange Price shall be adjusted as follows:

- (i) If and whenever there shall be an alteration to the nominal value of the Ordinary Shares as a result of consolidation or sub-division, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

- A is the nominal amount of one Ordinary Share immediately after such alteration; and  
B is the nominal amount of one Ordinary Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (ii) If and whenever the Company shall issue any Ordinary Shares credited as fully paid to the holders of Ordinary Shares (the "Shareholders") by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (x) any such Ordinary Shares issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have received or (y) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and  
B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (iii) If and whenever the Company shall pay or make any Dividend to the Shareholders, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such Dividend by the following fraction:

$$\frac{A}{B}$$

where:

- A is the Current Market Price (as defined below) of one Ordinary Share on the dealing day immediately preceding the ex dividend date of the relevant Dividend or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares by or on behalf of the Company or any Subsidiary of the Company, on which such Ordinary Shares, receipts or certificates are purchased or, in the case of a Spin-Off, is the Current Market Price of an Ordinary Share on the dealing day immediately preceding the first date on which the Ordinary Shares are traded ex-the relevant Spin-Off; and
- B is the portion of the Fair Market Value (as defined below) of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares by or on behalf of the Company or any Subsidiary of the Company, by the number of Ordinary Shares in issue immediately prior to such purchase).

Such adjustment shall become effective on the date on which the relevant Dividend is paid or made or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares, on the date such purchase is made or, in any such case if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

For the purposes of the above, the Fair Market Value of a Dividend shall (subject as provided in paragraph (a) of the definition of “**Dividend**” and in the definition of “**Fair Market Value**”) be determined as at the date of the first public announcement of the relevant Dividend.

“**Dividend**” means any dividend or distribution to Shareholders (including a Spin-Off) whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

- (a) where a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a Dividend of the greater of (i) such cash amount; and (ii) the Current Market Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other

- property or assets (on the date of the first public announcement of such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined);
- (b) any issue of Ordinary Shares falling within paragraph (b)(ii) above and any issue or offer falling within paragraph (b)(iv) or (v) shall be disregarded;
  - (c) a purchase or redemption or buy back of share capital of the Company by the Company or any Subsidiary of the Company shall not constitute a Dividend unless, in the case of purchases or buy backs of Ordinary Shares by or on behalf of the Company or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a “**Specified Share Day**”) in respect of such purchases or buy backs exceeds the average of the closing prices of the Ordinary Shares on the Exchange (as published by or derived from the Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases approved by a general meeting of Shareholders of the Company or any notice convening such a meeting of Shareholders) has been made of the intention to purchase Ordinary Shares at some future date at a specified price, on the five dealing days immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a Dividend to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased by the Company or, as the case may be, any of its Subsidiaries exceeds the product of (i) the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased; and
  - (d) if the Company or any of its Subsidiaries shall purchase any receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser.

“**Exchange**” means the principal stock exchange, recognised investment exchange or other multilateral trading facility on which the relevant securities are traded.

“**Fair Market Value**” means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser, provided, that (i) the Fair Market Value of a Dividend in cash paid or to be paid shall be the amount of such Dividend in cash; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity as determined in good faith by an Independent Financial Adviser, the Fair Market Value (a) of such Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five trading days on the relevant market

commencing on such date (or, if later, the first such trading day such Spin-Off Securities options, warrants or other rights are publicly traded), or such shorter period as such Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof; (v) in the case of (i) converted into pounds sterling (if declared or paid in a currency other than pounds sterling) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid the Dividend in cash in pounds sterling; and in any other case, converted into pounds sterling (if expressed in a currency other than pounds sterling) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser, to be the spot rate ruling at the close of business on that date (or, if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such a rate is available); and (vi) in the case of (i) and (ii), any withholding or deduction required to be made or amount of tax and any associated tax credit shall be disregarded.

**“Spin-Off”** means:

- (a) a distribution of Spin-Off Securities by the Company to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Company) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders, as a class (but excluding the issue and allotment of shares by Newco to Existing Shareholders), pursuant in each case to any arrangements with the Company or any of its Subsidiaries.

**“Spin-Off Securities”** means equity share capital of an entity other than the Company or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Company.

- (iv) If and whenever the Company shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at a price per Ordinary Share which is less than 100 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Ordinary Shares, options, warrants or other rights, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$



where:

- A is the number of Ordinary Shares in issue immediately before such announcement;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares comprised therein would purchase at such Current Market Price per Ordinary Share (provided that, in the event that such aggregate consideration receivable is not determinable on such dealing day, B shall be calculated on the first day on which such aggregate amount is so determinable, but by reference to the Current Market Price per Ordinary Share on such dealing day); and
- C is the number of Ordinary Shares issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Exchange. For the avoidance of doubt the anti dilution provisions in these Articles shall not apply to and no adjustment shall be made in respect of any share options granted under an employee share option scheme or to be granted under any such scheme for the benefit of employees and or management of the Company or any of its subsidiaries in each such case where such scheme has been approved by Shareholders or by the remuneration committee of the board.

- (v) If and whenever the Company shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire Ordinary Shares), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the first date on which the terms of such issue or grant are publicly announced; and
- B is the Fair Market Value of the rights attributable to one Ordinary Share on the first date on which the terms of such issue or grant are publicly announced.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Exchange.

- (vi) If and whenever the Company shall issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on the exercise of a Share Exchange Right or on the exercise of any rights of conversion into, or exchange or subscription for, or purchase of Ordinary Shares) or issue or grant

(otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares (other than the Notes and other than the Preference Shares), in each case at a price per Ordinary Share which is less than 100 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued pursuant to such issue of such additional Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Company or any Subsidiary of the Company or (at the direction or request of, or pursuant to any arrangements with, the Company or any Subsidiary of the Company) any other company, person or entity (otherwise than as mentioned in sub-paragraph (iv), (v) or (vi) above) shall issue wholly for cash or for no consideration any securities (other than the Notes and other than the Preference Shares) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing securities so issued) or securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 100 per cent. of the Current Market Price per Ordinary Share on the dealing day last preceding the date of the first public announcement of the terms of issue of such securities (or the terms of such grant), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Company for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation,

provided that if at the time of issue of the relevant securities or date of grant of such rights (as used in this sub-paragraph (vii) the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such securities are redesignated or at such other time as may be provided) then for the purposes of this sub-paragraph (vii), C shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the date of issue of such securities or, as the case may be, the grant of such rights.

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the Notes and other than the Preference Shares) as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 100 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the proposals for such modification, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Company for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the securities as so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall determine in good faith appropriate for any previous adjustment under this sub-paragraph or sub-paragraph (vii) above,

provided that if at the time of such modification (as used in this sub-paragraph (viii) the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this sub paragraph (viii), C shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (ix) If and whenever the Company or any Subsidiary of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary of the Company) any other company, person or entity shall offer any securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Exchange Price falls to be adjusted under sub-paragraph (ii), (iii), (iv) or (vii) above or (x) below (or would fall to be so adjusted if the relevant issue or grant was at less than 100 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under sub-paragraph (v) above) the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date on which the terms of such offer are first publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights on the Exchange.

- (x) If an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate (as defined in Section 988(1) of the 2006 Act) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Company or if any person proposes a scheme with regard to such acquisition (other than an Exempt Newco Scheme) and (such offer or scheme having become or been declared unconditional in all respects) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become unconditionally vested in the offeror and/or such associate as aforesaid (a “**Change of Control**”), the Exchange Price (the “**Change of Control Exchange Price**”) shall be determined as set out below, provided that the Change of Control Exchange Price shall only apply to Notes in respect of which Exchange Rights are duly exercised and the Exchange Date falls within the period (the “**Change of Control Period**”) commencing on the date the Change of Control occurs and ending on the date 60 calendar days following the occurrence of the Change of Control or, if later, 60 calendar days following the date on which notice of such Change of Control is given to Noteholders by or on behalf of the Company:

$$\text{COCEP} = \text{OEP} / (1 + (\text{EP} \times c/t))$$

where:

- COCEP = the Change of Control Exchange Price
- OEP = the Exchange Price in effect on the relevant Exchange Date (disregarding the application of this provision)
- EP = 30 per cent. (expressed as a fraction)
- c = the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date
- t = the number of days from and including the Closing Date to but excluding the Maturity Date

“**Closing Date**” means the date on which the offer or scheme constituting a Change of Control becomes or is deemed unconditional in all respects.

“**Exempt Newco Scheme**” means a Newco Scheme (as defined below) where immediately after completion of the relevant scheme of arrangement or analogous proceeding the ordinary shares of Newco (as defined below) are admitted to trading on an Exchange.

“**Newco Scheme**” means a scheme of arrangement or analogous proceeding which effects the interposition of a limited liability company (“**Newco**”) between the Shareholders of the Company immediately prior to the scheme of arrangement (the “**Existing Shareholders**”) and the Company; provided that only ordinary

shares of Newco are issued to Existing Shareholders, that immediately after completion of the scheme of arrangement the only shareholders of Newco are the Existing Shareholders, that Newco is the only shareholder of the Company, that all Subsidiaries of the Company immediately prior to the scheme of arrangement (other than Newco, if Newco is then a Subsidiary of the Company) are Subsidiaries of the Company (or of Newco) immediately after the scheme of arrangement and that the Company (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Company immediately prior to the scheme of arrangement, and that such scheme of arrangement does not envisage or contemplate and was not proposed or adopted in contemplation of any of the foregoing matters.

- (xi) If the Company or an Investor Majority determines that an adjustment should be made to the Exchange Price as a result of one or more circumstances not referred to above in this paragraph (b) (even if the relevant circumstance is specifically excluded from the operation of sub-paragraphs (i) to (x) above), the Company shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine in good faith as soon as practicable what adjustment (if any) to the Exchange Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises.

Notwithstanding the foregoing provisions, where the circumstances giving rise to any adjustment pursuant to this paragraph (b) have already resulted or will result in an adjustment to the Exchange Price or where the circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Exchange Price or where more than one event which gives rise to an adjustment to the Exchange Price occurs within such a short period of time or where any adjustment has been made for example under this paragraph b sub paragraphs (iv) or (vi) where options warrants or rights are not subsequently exercised in full, or lapse before they are exercised in full so that, in the opinion of the Company, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be appropriate to give the intended result and provided further that, for the avoidance of doubt, the issue of Ordinary Shares pursuant to the exercise of the Share Exchange Rights shall not result in an adjustment to the Exchange Price.

For the purpose of any calculation of the consideration receivable or price pursuant to sub-paragraphs (iv), (vi), (vii) and (viii), the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any securities shall be deemed to be the consideration or price received or receivable for any such

- securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such securities or, as the case may be, for such options, warrants or rights which are attributed by the Company to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement of the terms of issue of such securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be);
- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be, or expressed, in a currency other than pounds sterling it shall be converted into pounds sterling at such rate of exchange as may be determined in good faith by an Independent Financial Adviser, to be the spot rate ruling at the close of business on the date of the first public announcement of the terms of issue of such securities (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available);
- (d) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or securities or otherwise in connection therewith.

The following expressions have the following meanings:

**“Conditions”** means the terms and conditions of the Notes.

**“Current Market Price”** means, in respect of an Ordinary Share at a particular date, the arithmetic average of the Volume Weighted Average Price of an Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement) (excluding

any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom); or

- (b) if the Ordinary Shares to be issued do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount,

and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of the first public announcement of such Dividend or entitlement (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom),

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days, then the average of such Volume Weighted Average Prices which are available in that five- dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

**“dealing day”** means a day on which the Exchange is open for business, other than a day on which the Exchange is scheduled to or does close prior to its regular weekday closing time.

**“Dividend”** has the meaning provided in sub-paragraph (b)(iii) above.

**“Exchange”** has the meaning provided in sub-paragraph (b)(iii) above.

**“Fair Market Value”** has the meaning provided in sub-paragraph (b)(iii) above.

**“Independent Financial Adviser”** means an investment bank of international repute appointed by the Company and, in any such case, approved in writing by the Investor Majority or, if the Company fail to make such appointment and such failure continues for a reasonable period (as determined by the Investor Majority) appointed by the Investor Majority following notification to the Company.

**“Investor Majority”** means (i) in the period before issue of any Preference Shares, a person or persons holding 50% or more in principal amount of the outstanding Loan Notes, (ii) in the period after issue of any Preference Shares but before conversion or repayment in full of all of the Loan Notes, a person or persons holding Loan Notes and/or Preference Shares which would, assuming conversion in full of all Loan Notes at that time and before exercise of any Share Exchange Rights, hold 50% or more of the then issued Preference Shares and (iii) after conversion or repayment in full of all of the Loan Notes, a person or persons holding 50% or more of the then issued Preference Shares.

**“Notes”** means the £20,000,000 7.5 per cent. unsecured Convertible Notes due 2020 of the Company.



“**Change of Control**” has the meaning provided in sub-paragraph (b)(x) above.

“**Change of Control Period**” has the meaning provided in sub-paragraph (b)(x) above.

“**securities**” includes, without limitation, shares in the share capital of the Company and options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Company.

“**Shareholders**” has the meaning provided in sub-paragraph (b)(ii) above.

“**Subsidiary**” means a subsidiary within the meaning of Section 1159 of the 2006 Act.

“**Volume Weighted Average Price**” means, in respect of an Ordinary Share or, as the case may be, a Spin-Off Security on any dealing day, the volume-weighted average price of an Ordinary Share or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from a reputable information source or (in the case of a Spin-Off Security) from the Exchange on which such Spin-Off Securities are then listed or quoted or dealt in, if any, or, if such page is not available, such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that on any such dealing day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.

References to any issue or offer or grant to Shareholders or Existing Shareholders “**as a class**” or “**by way of rights**” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders other than Shareholders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

For the purposes of paragraphs (b), (c) and (g), (i) references to the “**issue**” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Company or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of the Company or any of its Subsidiaries, and (ii) Ordinary Shares held by or on behalf of the Company or any of its Subsidiaries (and which, in the case of sub-paragraphs (b)(iv) and (vi) above, do not rank for the relevant right or other entitlement) shall not be considered as or treated as “**in issue**”.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser determines in good faith to be appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves.

(c) **Retroactive Adjustments**

If the Exchange Date in relation to any Notes shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in sub-paragraphs (b)(ii), (iii), (iv), (v) or (ix) above, or any such issue as is mentioned in sub-paragraphs (b)(vi) and (vii) above which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under paragraph (b) above (each

such adjustment, a “**Retroactive Adjustment**”) in circumstances where such Notes is to be converted into Preference Shares, the Company shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the exchanging holder of Preference Shares, in accordance with the instructions contained in the Exchange Notice, such number of additional Ordinary Shares (the “**Additional Shares**”) as, together with the Ordinary Shares issued or to be issued on such exchange (together with any fraction of an Ordinary Share not so issued) is equal to the number of Ordinary Shares, in each case which would have been required to be issued on exchange of such Preference Share if the relevant adjustment (more particularly referred to in the said provisions of paragraph (b) above) to the Exchange Price had in fact been made and become effective on the relevant Exchange Date.

(d) Decision of an Independent Financial Adviser

If any doubt shall arise as to the appropriate adjustment to the Exchange Price, and following consultation between the Company and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Exchange Price shall be conclusive and binding on all concerned, save in the case of manifest error.

(e) Ordinary Shares may not be Issued at a Discount

The Exchange Price may not be reduced so that, on exchange of the Preference Shares, Ordinary Shares would fall to be issued at a discount to their nominal or par value.

(g) Rounding Down and Notice of Adjustment to the Exchange Price

On any adjustment, the resultant Exchange Price, if not an integral multiple of £0.01, shall be rounded down to the nearest whole multiple of £0.01. No adjustment shall be made to the Exchange Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Exchange Price then in effect. Any adjustment not required to be made, and/or any amount by which the Exchange Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

Notice of any adjustments shall be given by the Company to Noteholders in accordance with Conditions and to the holders of Preference Shares as soon as practicable after the determination thereof.

5.9 The Company undertakes that, while any Notes remain in issue, it shall (pending either the payment of any redemption moneys in respect of the Notes or the issue of the Preference Shares on conversion, each in accordance with the provisions of the Loan Note Instrument) not without the consent of the Noteholders by Special Resolution, (i) alter the Articles in any way which would adversely affect the rights of the Noteholders without the prior sanction of a Special Resolution or (ii) amend the rights of the Preference Shares as specified in this Article 5.

C. by inserting the words “Subject to Article 5.7.3” at the beginning of Article 7.1 before the words “Every person” which shall be amended to read “every person”.

*Registered Office*  
Castlefield House  
Liverpool Road  
Manchester M3 4SB

*By Order of the Board*  
Philip Martin Barry  
Company Secretary  
Dated 25 May 2017

**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 5.00 p.m. on 9 June 2017 shall be entitled to attend and vote at the General Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a proxy form with this notice of General Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the Chairman of the General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars at the address set out in note 5.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
  - (a) completed and signed;
  - (b) sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA; and
  - (c) received by them no later than 10.00 a.m. on 10 June 2017.In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
7. As at 5.00 p.m. on the day immediately prior to the date of posting of this Notice of General Meeting, the Company's issued share capital comprised 317,529,078 ordinary shares of 5p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting is 317,529,078.

