FLOWTECH FLUIDPOWER PLC

PLACING AND ADMISSION TO TRADING ON AIM

Zeus Capital

NOMINATED ADVISER AND BROKER


PNEUMATIC


FLO TECHNOLOGY
Best in Industry
Fluid Power Catalogue 2014/2015

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who specialises in advising on the acquisition of shares and other securities and is duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA").

Application has been made for the entire issued and to be issued ordinary share capital of the Company, to be admitted to trading on AIM, a market operated by the London Stock Exchange plc. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence on 21 May 2014. The Existing Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

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 UK 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. Each AIM company is required, pursuant to the AIM Rules for Companies published by London Stock Exchange plc (the "AIM Rules"), to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

Prospective investors should read the whole text of this Document and should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this Document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

This Document, which is drawn up as an admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. This Document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this Document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been pre-approved by the Financial Conduct Authority ("FCA") pursuant to section 85 of FSMA. Copies of this Document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital, 82 King Street, Manchester M2 4WQ and the registered office of the Company, Pimbo Road, Skelmersdale, Lancashire WN8 9RB, from the date of this Document until one month from the date of Admission in accordance with the AIM Rules.

The Directors, whose names appear on page 8 of this Document, and the Company accept responsibility, both individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Company and 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.

Flowtech Fluidpower plc

(*a company incorporated in England and Wales under the Companies Act 2006 with company number 9010518*)

Placing of 39,899,999 Ordinary Shares at 100 pence per Ordinary Share
Vendor Placing of 100,001 Ordinary Shares at 100 pence per Ordinary Share
and
Admission to trading on AIM

Nominated Adviser and Broker:

Zeus Capital

Expected Ordinary Share Capital immediately following Admission

Number	*Issued and fully paid*	*Amount £*
40,000,000	ordinary shares of £0.50 each	20,000,000

The Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 21 May 2014 (or such later date as the Company and Zeus Capital may agree, being not later than 30 May 2014). The Placing Shares and Vendor Placing Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the Enlarged Ordinary Share Capital to be admitted to the Official List of the UK Listing Authority or to any other recognised investment exchange.

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed admission of the Enlarged Ordinary Share Capital to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by Zeus Capital as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued). Zeus Capital will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Zeus Capital or for providing advice in relation to the contents of this Document or any other matter.

This Document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this Document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, neither the Vendor Placing Shares or the Placing Shares may, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Vendor Placing Shares and the Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa and they may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 as amended).

The distribution of this Document outside the UK may be restricted by law. No action has been taken by the Company or Zeus Capital that would permit a public offer of shares in any jurisdiction outside the UK where action for that purpose is required. Persons outside the UK who come into possession of this Document should inform themselves about the distribution of this Document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdiction.

IMPORTANT INFORMATION

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see "Part II: Risk Factors" of this Document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this Document you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this Document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Document are based on the laws and practices currently in force in England and Wales and are subject to changes therein.

This Document should be read in its entirety before making any investment in the Company.

Forward looking statements

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "may", "should", "will", "intends", "plans", "believes", "targets", "seeks", "estimates", "aims", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

Presentation of financial information

The financial information contained in this Document, including that financial information presented in a number of tables in this Document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain non-IFRS measures such as operating profit before finance costs, taxation, depreciation, amortisation and exceptional one-off transaction costs ("EBITDA") have been included in the financial information, as the Directors believe that these provide important alternative measures with which to assess the Group's performance. You should not consider EBITDA as alternatives for Revenue or Operating Profit which are IFRS measures. Additionally, the Company's calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

General notice

This Document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Rules in the United Kingdom. It has been drawn up in accordance with the requirements of the Prospectus Directive only in so far as required by the AIM Rules and has not been delivered to the Registrar of Companies in England and Wales for registration.

This Document has been prepared for the benefit only of a limited number of persons all of whom qualify as "qualified investors" for the purposes of the Prospectus Directive, to whom it has been addressed and delivered and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this Document (either in whole or in part) without the prior written consent of the Company and Zeus Capital is prohibited.

CONTENTS

KEY STATISTICS

Existing share capital at the date of this Document	
Current number of Existing Ordinary Shares of £0.50 each in issue	100,001
Placing	
Number of Placing Shares	39,899,999
Gross proceeds of the Placing	£39,899,999
Estimated net proceeds of the Placing (payable to the Company)	£36,837,778
Vendor Placing	
Number of Vendor Placing Shares	100,001
Gross proceeds of the Vendor Placing (payable to the Selling Shareholder)	£100,001
Upon Admission	
Number of Ordinary Shares in issue at Admission	40,000,000
Percentage of Enlarged Ordinary Share Capital represented by the Placing Shares	99.75%
Number of Options in issue at Admission	972,219
Number of Warrants in issue at Admission	1,200,000
Estimated market capitalisation of the Company at Admission (1)	£40,000,000
AIM symbol	FLO
ISIN number	GB00BM4NR742

Notes

(1) This is based on the Placing Price and on the assumption that the Options and Warrants will not be exercised. If the Options and Warrants are exercised in full then the estimated market capitalisation at Admission, based on the Placing Price, would be approximately £42,172,219.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2014
Publication of this Admission Document	9 May
Admission and commencement of dealings in the Enlarged Ordinary Share Capital on AIM	8.00 a.m. on 21 May
CREST accounts credited (where applicable)	21 May
Dispatch of definitive share certificates (where applicable)	4 June

Notes

1. References to time in this Document are to London (GMT) time.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Malcolm Diamond MBE (*Non-Executive Chairman*) Sean Mark Fennon (*Chief Executive Officer*) Bryce Rowan Brooks (*Chief Financial Officer*) Paul John Watson (*Group Marketing Director*) Nigel John Richens (*Independent Non-Executive Director*) All of whose business address is Pimbo Road, Skelmersdale, Lancashire, WN8 9RB
Registered Office:	Pimbo Road Skelmersdale Lancashire WN8 9RB
Company Secretary:	Bryce Brooks
Company website:	www.flowtechfluidpower.com
Nominated Adviser and Broker:	**Zeus Capital Limited** 23 Berkeley Square London W1J 6HE and 82 King Street Manchester M2 4WQ
Auditors and Reporting Accountants:	**Grant Thornton UK LLP** 4 Hardman Square Spinningfields Manchester M3 3EB
Solicitors to the Company:	**DLA Piper UK LLP** 101 Barbirolli Square Bridgewater Manchester M2 3DL
Solicitors to the Nominated Adviser and Broker:	**Squire Sanders (UK) LLP** 7 Devonshire Square London EC2M 4YH
Financial PR:	**TooleyStreet Communications Ltd** Regent Court Birmingham West Midlands B3 1UG
Company Registrars:	**Capita Registrars Limited** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Bankers:	**Barclays Bank PLC** 1 Churchill Place London E14 5HP

DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise or unless defined in Part III of this Document, for the purposes of that part only:

"Act"	the Companies Act 2006 (as amended)
"Admission"	admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules
"Admission Document" or "Document"	this Document dated 9 May 2014
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
"Articles"	the articles of association of the Company adopted from Admission
"Audit Committee"	the audit committee of the Board, as constituted from time to time
"Board"	the board of Directors of the Company from time to time, or a duly constituted committee thereof
"certificated" or "in certificated form"	recorded on the relevant register of the share or security concerned as being held in certificated form (that is not in CREST)
the "Company"	Flowtech Fluidpower plc, a company incorporated in England & Wales under the Companies Act 2006 with company number 9010518
"Company Consent"	the written consent of the Company's Remuneration Committee for the purposes of the Share Plans
"Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council as modified by the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance
"CREST"	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland
"CREST Regulations"	the Uncertificated Securities Regulations 2001, including (i) any enactment or subordinate legislation which amends or supercedes those regulations; and (ii) any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force
"Directors"	the directors of the Company as at the date of this Document, whose details are set out on page 8 of this Document
"EDI"	Electronic Data Interchange, a computer-to-computer exchange of business documents in a standard electronic format between business partners
"EMI Limit"	for the purposes of the EMI Plan, a limit of £250,000 on the value of shares under EMI option with the value assessed at the date of grant
"EMI Plan"	the Flowtech Fluidpower plc Enterprise Management Incentive plan adopted by the Company conditional on Admission

"Enlarged Ordinary Share Capital"	the Ordinary Shares in issue immediately following Admission
"Euroclear UK & Ireland"	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 2878738 and the operator of CREST
"FCA"	the Financial Conduct Authority
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Flowtech" or "Group"	the Company and its subsidiary undertakings
"Flowtech Benelux"	Flowtechnology Benelux BV (previously called All-Fitt Flowtechnology)
"Flowtech Holdings Limited"	Flowtech Holdings Limited, formerly the parent company of the Flowtech group, and an indirect subsidiary of the Company
"Flowtech MIP"	Flowtech MIP Limited
"Flowtech UK"	the business which trades as Flowtechnology UK carried on primarily by the Company's subsidiary, Flowtech Limited
"Gresham"	Gresham LLP
"ITEPA"	the Income Tax (Earning and Pensions) Act 2003
"London Stock Exchange"	London Stock Exchange plc
"MIP"	the Flowtech Fluidpower plc Management Incentive Plan under which shares in Flowtech MIP will be issued to the Company's senior management team
"OEM"	Original Equipment Manufacturer
"Options"	rights granted to subscribe for Ordinary Shares pursuant to the EMI Plan and/or the Unapproved Plan
"Ordinary Shares"	ordinary shares of £0.50 each in the capital of the Company
"Placees"	the subscribers for Placing Shares or purchasers of Vendor Placing Shares pursuant to the Placing and the Vendor Placing (respectively)
"Placing"	the conditional placing of the Placing Shares by Zeus Capital, as agent for the Company, pursuant to the Placing Agreement
"Placing Agreement"	the conditional placing agreement dated 8 May 2014 between (1) Zeus Capital (2) the executive directors of the Company (3) the non-executive directors of the Company (4) the Company and (5) the Selling Shareholder, relating to the Placing and the Vendor Placing
"Placing Price"	100 pence per Placing Share or Vendor Placing Share, as applicable
"Placing Shares"	the 39,899,999 new Ordinary Shares to be issued pursuant to the Placing
"Proposals"	the Placing, the Vendor Placing and Admission
"Prospectus Directive"	EU Prospectus Directive 2003/71/EC, as amended
"Prospectus Rules"	the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA

"Recognised Growth Market"	means a market recognised as such by HMRC and included on the list of Recognised Growth Markets maintained and published on the HMRC website
"Recognised Stock Exchange"	means any market of a recognised investment exchange as defined by section 1005 of the Income Tax Act 2007
"Remuneration Committee"	means the remuneration committee of the Board as constituted from time to time
"RIS"	Regulatory Information Service
"Selling Shareholder"	Barrington House Nominees Limited (nominee of funds managed by Gresham) who shall sell Ordinary Shares in the Vendor Placing, further details of which are set out in paragraph 10 of Part I
"Shareholder(s)"	holders of Ordinary Shares
"Share Plans"	the collective term for the MIP, the Unapproved Plan and the EMI Plan
"Takeover Code"	the City Code on Takeovers and Mergers
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the FCA, acting in its capacity as the competent authority for the purposes of FSMA
"Unapproved Plan"	the Flowtech Fluidpower plc Unapproved Share Option plan which will be adopted as a schedule to the EMI Plan
"uncertificated" or	recorded on the relevant register of the share or security as
"uncertificated form"	being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"US"	the United States of America and all of its territories and possessions
"VAT"	value added tax
"Vendor Placing"	the conditional placing of the Vendor Placing Shares by Zeus Capital as agent of the Selling Shareholder, pursuant to the Placing Agreement
"Vendor Placing Shares"	the 100,001 Existing Ordinary Shares to be sold pursuant to the Vendor Placing
"Warrant"	the right to subscribe for 1,200,000 Ordinary Shares pursuant to the terms of the Warrant Agreement
"Warrant Agreement"	the warrant agreement dated 8 May 2014 between the Company and Zeus Capital, further details of which are set out in paragraph 15.3 of Part V
"Working Time Requirement"	the requirements of paragraphs 26 and 27 of Schedule 5 to ITEPA 2003 that an individual be required, as an employee of a Group company, to devote: (a) at least 25 hours per week to the business of the Group; or (b) if less, at least 75 per cent. of his working time.
"Zeus Capital"	Zeus Capital Limited, a company incorporated in England and Wales with registered number 4417845
"£" or "Sterling"	British pounds sterling

EXECUTIVE SUMMARY

The following information is derived from, and should be read in conjunction with, the whole of this Document including in particular the section headed Risk Factors relating to the Company in Part II of this Document. Shareholders should read the whole of this Document and not rely on this Executive Summary section.

1. INTRODUCTION

Flowtech is the UK's leading distributor of technical fluid power products.

It has an international footprint with its headquarters and modern distribution centre located in Skelmersdale, Lancashire in the UK, supported by a distribution facility in the Netherlands and a procurement team and a recently established logistics centre in mainland China.

A cash generative financial track record has been established over a number of years, with group revenues in the year ended 31 December 2013 of £34.3 million and operating profit of £4.3 million.

The management team, led by Sean Fennon who has been with Flowtech since 2009, has overseen significant growth in operating profit in a challenging macro-economic climate and is committed to leading further growth as a public company. The Directors believe there is significant opportunity for organic growth through product development and international expansion as well as by acquisition and the Directors have also identified a number of complementary businesses that they believe could add value to the Group's offering.

The Directors believe that admission to trading on AIM will provide further credibility to the Group's offering and provide a platform to develop future growth as well as providing Gresham, the current private equity owner, the ability to sell its entire shareholding and substantially reduce the Group's debt.

2. INFORMATION ON FLOWTECH

Flowtech supplies circa. 3,000 customers in the UK and Northern Europe. In the UK market, which accounted for circa. 88 per cent. of the Group's sales in 2013, Flowtech focuses on supplying fluid power products to distributors and resellers of industrial maintenance, repair and operations ("MRO") products primarily serving urgent orders rather than bulk offerings.

The business enjoys a diverse customer base, with its top customer contributing 3.5 per cent. of sales, top 10 customers contributing 16 per cent. of sales and top 100 customers contributing 49 per cent. of sales in 2013. As a result, Flowtech is not overly exposed to any one customer.

3. THE MARKET

The British Fluid Power Association estimated demand for hydraulic and pneumatic fluid power products in the UK at £718 million in 2012, with hydraulics accounting for £542 million and pneumatics £176 million.

These figures represent a six year high despite difficult underlying macroeconomic conditions. The British Fluid Power Association forecasts that the market will increase at an annual rate of 3.37 per cent. to 2016.

4. STRATEGY

The Directors have a strategy designed to continue growing sales and profitability.

Growth in market share

Orders placed with Flowtech currently amount to only a relatively small percentage of their customers total spend in the sector. The Directors believe that continued focus on good customer service can deliver an increase in this percentage, to realise organic growth.

The Directors believe there is also significant potential to grow the business in Northern Europe, to capitalise on the recent efficiencies realised from consolidating the Dutch operation into a single facility and rebranding as Flowtechnology Benelux.

Margin improvement

The Directors believe this can be achieved by expanding Flowtech's range of own-brand products and capitalising on the productivity benefits presented by its new Chinese logistics centre.

New products

The Company's customers currently place only a relatively small percentage of their total sector spend with Flowtech. Having successfully introduced technical hydraulic and industrial hosing products to its pneumatics-focused product range, the Directors believe that there is an opportunity to expand the product range into new categories that support its market position as a 'one-stop-shop' supplier of technical fluid power products and through this expansion, capture a greater percentage of current customers' budget. Potential complementary technical areas include valves and pumps.

Geographic expansion

The Directors believe that Flowtech's business model could be rolled out throughout Europe, other English speaking countries, and emerging markets. In particular they believe Central Europe should be a priority area. In addition, Flowtech's operations in China are ideally positioned to be used as a hub from which to supply fast-growing Asian economies as well as South Africa, New Zealand and Australia.

Acquisition opportunities

In addition to organic growth, the Directors have identified a number of businesses which could be acquired to accelerate complementary channel development and geographic expansion, subject to negotiating terms acceptable to the Group.

PART I

INFORMATION ON THE COMPANY

Flowtech Fluidpower plc

1. INTRODUCTION

Flowtech is the UK's leading distributor of technical fluid power products.

It has an international footprint with its headquarters and modern distribution centre located in Skelmersdale, Lancashire in the UK, supported by a distribution facility in the Netherlands and a procurement team and a recently established logistics centre in mainland China.

A cash generative financial track record has been established over a number of years, with group revenues in the year ended 31 December 2013 of £34.3 million and operating profit of £4.3 million.

The management team, led by Sean Fennon who has been with Flowtech since 2009, has overseen significant growth in underlying operating profit in a challenging macro-economic climate and is committed to leading further growth as a public company. The Directors believe there is significant opportunity for organic growth through product development and international expansion as well as by acquisition and the Directors have also identified a number of complementary businesses that they believe could add value to the Group's offering.

The Directors believe that admission to trading on AIM will provide further credibility to the Group's offering and provide a platform to develop future growth as well as providing Gresham, the current private equity owner, the ability to sell its entire shareholding and substantially reduce the Group's debt.

The Company is seeking Admission and at the same time Zeus Capital is using its reasonable endeavours to find Placees for 39,899,999 Placing Shares and 100,001 Vendor Placing Shares, in both cases at 100 pence per Ordinary Share.

Further details of the Placing and Vendor Placing are outlined in paragraph 10 of this Part I of this Document.

2. HISTORY AND BACKGROUND

Flowtech was founded in 1983 as Industrial Pipelines Limited and was acquired by private equity firm Gresham in a management buyout in 2004. Gresham subsequently led a restructuring of the management team when current board members Sean Fennon, Bryce Brooks and Paul Watson were assembled between late 2009 and early 2010. Under their guidance, Flowtech refocused on its core distribution offering of pneumatic, hydraulic and industrial hose and associated products.

This process included:

- rebuilding the business' stockholdings (particularly of faster moving product lines) to ensure high service levels to customers and to drive sales growth;
- growing sales of own label products;
- building strong 'partner' relationships with quality suppliers in the Far East;
- implementing improved processes for the review of product movement statistics, product demand rankings and demand patterns;
- building strong relationships with the distributor customer base; and
- restructuring and rebranding of Flowtech Benelux to an appropriate cost base, with many back office functions being combined with Flowtech's UK operations.

The management team also decided to exit non-core businesses, with the disposal of the trade and assets of Euro Plumbing Supplies in 2011 and the sale of Industrial Products & Supplies Limited, a supplier of pipes for heating systems, which was sold to a key employee of that business on 4 April 2014.

Business Timeline

- 1983: Established as Industrial Pipelines Limited
- 2004: Gresham back a management buyout of business
- 2007: Expanded into the Benelux region with the acquisition of Flowtech Benelux
- 2009: Sean Fennon appointed as CEO
- 2010: Bryce Brooks appointed as CFO, Paul Watson joined as a consultant
- 2011: Paul Watson, appointed as Group Marketing Director
- 2012: Presence established in Shanghai to strengthen procurement process
- 2012: Operating units rebranded as 'Flowtechnology'
- 2013: Logistics centre established in Guangzhou scheduled to commence operations in Q4 2014

3. INFORMATION ON FLOWTECH

Flowtech supplies circa. 3,000 customers in the UK and Northern Europe. In the UK market, which accounted for circa. 88 per cent. of the Group's sales in 2013, Flowtech focuses on supplying fluid power products to distributors and resellers of industrial MRO products, primarily serving urgent orders rather than bulk offerings.

The business enjoys a diverse customer base, with its top customer contributing 3.5 per cent. of sales, top 10 customers contributing 16 per cent. of sales and top 100 customers contributing 49 per cent. of sales in 2013. As a result, Flowtech is not overly exposed to any one customer.

Flowtech's offering

Catalogue considered the definitive fluid power reference point

Flowtech distributes over 90,000 catalogues each year. The catalogue is split into 18 sections, and the UK catalogue includes approximately 47,000 individual product lines (Benelux catalogue includes approximately 25,000 product lines). Other products can be sourced through the Group's supplier network, meaning customers can access over half a million products in total.

Larger distributors have the option for the catalogue to be branded with their own corporate logo, with either a plain or Flowtech branded cover for 'standard customers'.

The Directors believe that no UK competitor has such a comprehensive fluid power catalogue with such a wide circulation and comprehensive product offering.

Next-day delivery as standard

An efficient distribution centre and a policy of maintaining a large stock holding, where appropriate, enable the Group to offer as standard a next-day delivery service for orders placed by 10pm in Great Britain (7pm in the Netherlands). A same day premium service is also offered. An earlier cut off also supports next day sales into Ireland (both North and South).

The Directors believe that by focusing on servicing urgent orders, rather than bulk offerings, Flowtech is able to achieve significantly higher margins as end-users are prepared to pay a premium for time-sensitive orders.

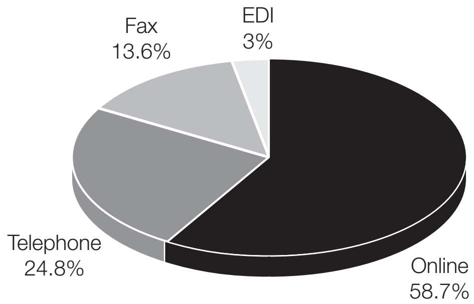
High stock holdings

Flowtech maintains high stock levels for fast moving lines, supporting its next-day delivery offering. This secures loyalty from sub-distributor customers of Flowtech who rely on Flowtech's stock and service to reduce their stock holding requirements and allow them to engage with Flowtech as a one-stop-shop rather than maintain relationships with a diverse range of global fluid power OEMs.

Choice of sales channel

Flowtech's IT system allows customers to order online, by telephone, by EDI or by fax.

Sales by Channel in the UK



The same IT system has been established in Flowtech Benelux, where the breakdown is 7.6 per cent. of orders by fax, 47.5 per cent. of orders by telephone/email and 44.9 per cent. of orders being made online.

Technical support and training

Flowtech provides technical advice for customers at the point of sale and also offers technical training sessions designed to educate customers on the range of products.

Value-added services for Primary Customers

Flowtech offers value-added services to its customer base tailored to the customer type and its growth potential.

'Primary Accounts'

- Can buy Flowtech catalogues branded in their own logo.
- Supported in setting-up websites linked to Flowtech's online trading platform, branded in their own logo and configured to their agreed pricing structure and terms.
- Flowtech designs and produces four bespoke promotional flyers for each primary account per year.
- Designated technical support and training courses for primary account customers are available throughout the year.
- Flowtech may hold an agreed amount of stock for a particular product for a primary account customer.
- Flowtech's contract sourcing team, comprising three staff from the wider purchasing team, is able to source bespoke products for primary account customers from both the Group's European and Far East supply chains.

'Standard Accounts'

- Plain cover or unbranded Flowtech catalogue.
- Standard account customers can access the online trading system through the main Flowtech website, all discounts are set-up to reflect the main trading system automatically.
- Daily, weekly and monthly offers are provided to the entire customer base, using hard copy, email-marketing and other promotional material. A sixteen page 'Flowtech Select' flyer is produced monthly showcasing new products and offers.
- Technical support services are available to all customers to assist with queries and technical product issues.
- Standard account customers with the greatest growth potential are invited to join training courses held at Flowtech's headquarters.

Product portfolio and sourcing

Of the 47,000 product lines included in the UK catalogue, Flowtech UK stocks circa. 35,000 and of the 25,000 product lines included in the Benelux catalogue, Flowtech Benelux stocks circa. 12,000. These are split into 18 categories including hydraulics, quick release couplings, air preparation monitoring and test equipment, pneumatics, valves, hosing, tubing, clamps and clips, sprays and adhesives, blow guns, air tools and personal protective equipment.

Operations and infrastructure

The Group's 92,000 sq ft headquarters and UK distribution hub in Skelmersdale in the North West of England, houses its modern, highly automated distribution and operations centre, support functions and senior management team.

Flowtech UK has a 54 person sales and technical support team responsible for order receipt and processing, marketing and business development, procurement, contract services and technical support.

Flowtech UK has an integrated IT system which links its online, telephone, fax and EDI customer order system directly to its stock management and automated warehouse picking stations. Customers and end-users can place orders with Flowtech UK either on an un-branded or customer-branded online trading platform.

End-user orders can be fulfilled by Flowtech UK, with products delivered directly to the end-user accompanied by Flowtech's customer's letterhead dispatch note.

Flowtech's online platform is multi-lingual and multi-currency, and as such is scalable as the business expands into new markets.

The Directors believe that Flowtech's current infrastructure has the capacity to support organic growth for the foreseeable future.

Outside of the UK, the Group has:

- a site in Deventer, Netherlands, which serves Northern Europe, specifically Belgium, the Netherlands and to a lesser extent Germany and France;
- a commercial presence in Shanghai, China, which consists of two self-employed agents who work exclusively for the Group; and
- a logistics centre in Guangzhou, China, expected to commence initial operations in the final quarter of 2014, which will in time be fully utilised for quality control and container load optimisation.

All are administered by a centralised support centre base at the Group's UK headquarters which incorporates all back office functions e.g. finance, human resources and IT. The Group employed 155 employees as at 31 December 2013, of which 134 were based in the UK and 21 were based in the Netherlands.

Flowtechnology Benelux

Flowtech Benelux was acquired in 2007, prior to which the business traded as Allfit Flowtechnology. Flowtech Benelux services approximately 900 distributors, resellers and end-user customers in Northern Europe.

Flowtech Benelux's catalogue offers 25,000 product lines. Customers can order by telephone, email, through local sales staff or using Flowtech's online trading platform.

Flowtech Benelux operates from a 17,500 sq ft warehouse in Deventer, in the Netherlands, and uses the same integrated IT platform as the UK business, with back office functions controlled from the UK.

Flowtechnology China

The Group's Chinese operations consist of a procurement team in Shanghai and a recently established logistics centre in Guangzhou.

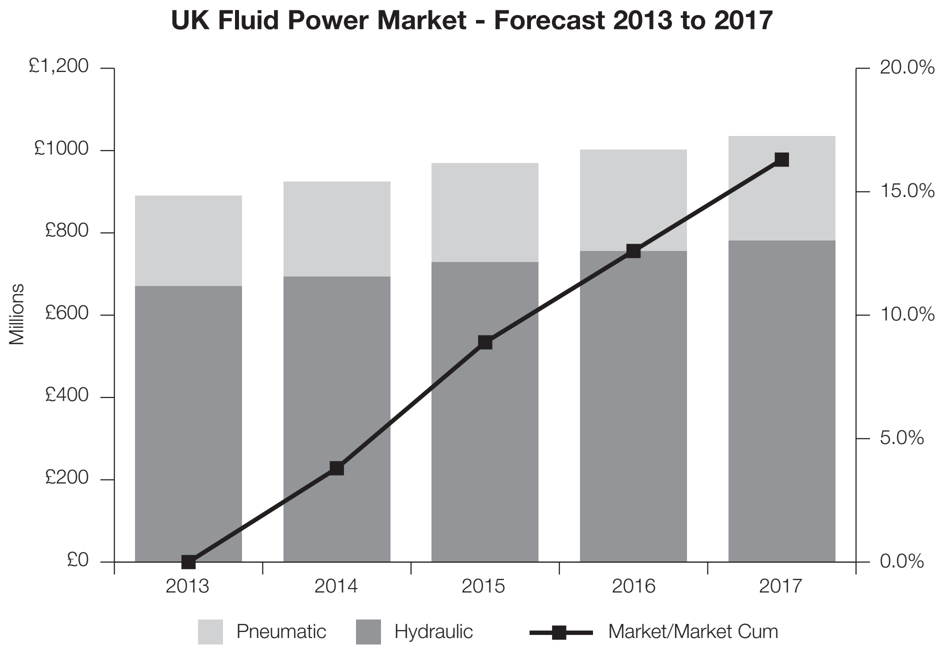
The procurement team is managed directly by Flowtech UK and consists of two self-employed consultants who act exclusively for the Group. They are responsible for sourcing new suppliers and supporting existing supplier relationships.

A 18,000 sq ft logistics centre was constructed in 2013 and when fully operational (which is expected to be in Q4 2014) will be used for quality control and container load optimisation. The Directors believe that up to 20 per cent. of purchases from the region could be handled through this logistics centre, supporting the growth capabilities of Flowtech's UK and Benelux distribution centres. In addition, they believe that Flowtech's Chinese operations provide a base in the region from which it can target new customers in mainland China and English speaking territories such as South Africa, Australia, New Zealand and the USA.

4. THE MARKET

The British Fluid Power Association estimated demand for hydraulic and pneumatic fluid power products in the UK at £940 million in 2012, with hydraulics accounting for £721 million and pneumatics £219 million.

The British Fluid Power Association forecasts that the market will increase at an annual rate of 3.73 per cent. from 2014 to 2016.



Source: The British Fluid Power Association Economic Forecast (2013)

Competitors

End-users of fluid power products either source their products directly from OEMs or from distributors. Flowtech therefore competes directly with other suppliers of fluid power products to distributors, and to a lesser degree with OEMs.

Flowtech's focus is on servicing the need for urgent replacement of technical fluid power products relating to maintenance, repair and operations ("MRO").

Direct competitors

The Directors do not believe there are any direct competitors in the UK of a comparable size. A number of smaller companies supply fluid power products to distributors, however, such competitors tend to focus on a narrower product range, sector or region. A number of larger companies supply wide ranges of products of which fluid power products will form part of their ranges, however, the Directors consider such larger competitors do not compete directly with Flowtech as they do not offer the diverse and specialist range of fluid power products stocked by the Group.

Some end-users purchase directly from OEMs. However, OEMs generally supply directly for stock purposes whereas Flowtech is focused on urgent fluid power MRO requirements.

Own Brand

Flowtech also provides a comprehensive range of competing OEM products and 'own brand' substitute products which gives end-users the benefits of purchasing from a 'one-stop-shop' supplier compared to buying from multiple OEMs.

5. STRATEGY

The Directors have a strategy designed to continue growing sales and profitability.

Growth in market share

Orders placed with Flowtech currently amount to only a relatively small percentage of their customers total spend in the sector. The Directors believe that continued focus on good customer service can deliver an increase in this percentage, to realise organic growth.

The Directors believe there is also significant potential to grow the business in Northern Europe, to capitalise on the recent efficiencies realised from consolidating the Dutch operation into a single facility and rebranding as 'Flowtechnology Benelux'.

Margin improvement

The Directors believe that margins can be improved by expanding Flowtech's range of own-brand products and capitalising on the productivity benefits presented by its new Chinese logistics centre.

New products

As mentioned above, the Company's customers currently place only a relatively small percentage of their total sector spend with Flowtech. Having successfully introduced technical hydraulic and industrial hosing products to its pneumatics-focused product range, the Directors believe that there is an opportunity to expand the product range into new categories that support its market position as a 'one-stop-shop' supplier of technical fluid power products and through this expansion, capture a greater percentage of current customers' budget.

Potential complementary technical areas include valves and pumps.

Geographic expansion

The Directors believe that Flowtech's business model could be rolled out throughout Europe, other English speaking countries, and emerging markets. In particular they believe Central Europe should be a priority area. In addition, Flowtech's presence in China is ideally positioned to be used as a hub from which to supply fast-growing Asian and South East Asian economies as well as South Africa, New Zealand and Australia.

Acquisition opportunities

In addition to organic growth, the Directors have identified a number of businesses which could be acquired to accelerate complementary channel development and geographic expansion.

6. SHARE PLANS

The Board recognises the importance of ensuring that employees of Flowtech are effectively and appropriately incentivised and their interests aligned with Shareholders. Similarly, the Board believes that the ongoing success of the Company depends to a high degree on retaining and incentivising the performance of key members of senior management. To that end, the Group has adopted the Share Plans, to align the interests of senior management, and the broader employee workforce alike, with those of the Shareholders.

The Share Plans adopted by the Company are made up of three incentive arrangements: (1) the Flowtech Fluidpower plc Management Incentive Plan ("MIP"), which will reward the senior management team in the event that Shareholder value is created; and (2) the EMI Plan, under which selected employees will be granted options over Ordinary Shares. The exercise price for these EMI options will be set at market value on the date of grant; and (3) the Unapproved Plan. If EMI options are granted such that any individual's EMI options exceed a value of £250,000 at grant (the "EMI Limit") then, to the extent that the value of these options exceeds the EMI Limit, they will be granted pursuant to the Unapproved Plan.

A summary of each of the Share Plans is set out in paragraph 6 of Part V of this Document.

7. FINANCIAL INFORMATION

Part III of this Admission Document contains audited historical financial information of Flowtech Holdings Limited and its subsidiaries for the three years ended 31 December 2013. Flowtech Holdings Limited was the parent company of the Group's business during such period.

The following financial information has been derived from the financial information contained in Part III of this Admission Document and should be read in conjunction with the full text of this Admission Document. Investors should not rely solely on the summarised information.

Year ended 31 December	*2013* *£'000*	*2012* *£'000*	*2011* *£'000*
Revenue	34,272	33,830	35,902
Gross Profit	11,415	10,488	11,371
Operating Profit	4,274	3,610	1,218
Taxation	(876)	(268)	35
Profit after tax before net financing and other costs	3,398	3,342	1,253
Loss for the year after net financing and other costs	(1,799)	(2,119)	(4,668)

8. CURRENT TRADING

The financial information for the year ended 31 December 2013 is set out in Part III of this Document. Since 31 December 2013, the Group has traded in line with Directors' expectations.

9. DIRECTORS

The Board currently comprises Malcolm Diamond MBE as Chairman, Sean Fennon as Chief Executive, Bryce Brooks as Chief Financial Officer, Paul Watson as Group Marketing Director and Nigel Richens as non-executive Director.

Directors

Malcolm Diamond MBE (*Non-executive Chairman, aged 65*)

Malcolm is an experienced company director, having served as CEO of Trifast plc for 18 years to 2002 before re-joining the board of Trifast plc in 2009 as executive chairman. He has served on the boards of numerous companies, including Nobo plc, Sytner Group plc and Dechra Pharmaceuticals plc. His key areas of expertise include sales and marketing, strategic planning and implementation, business development and investor relations.

Sean Fennon (*Chief Executive Officer, aged 53*)

Appointed in December 2009, Sean has gained experience over at least 25 years having worked in design, manufacturing, wholesale, retail and industrial distribution. Prior to joining Flowtech, Sean was the Managing Director of a large UK industrial distribution company for six years. Sean is responsible for driving the Group and its strategies for growth.

Bryce Brooks (*Chief Financial Officer, aged 48*)

Bryce joined Flowtech in March 2010 to head up the finance function. He has a degree in civil engineering and qualified as a chartered accountant in 1989. Post qualification, Bryce spent two years as a Financial Controller at a paper manufacturing business, followed by twelve years as a Finance Director at an American-owned industrial products distribution group.

Paul Watson (*Group Marketing Director, aged 56*)

Paul has worked in the industrial sector for the past 30 years including management and marketing consultancy roles. Prior to joining Flowtech as a consultant in 2010 and being engaged as a director in 2011, Paul spent five years as Marketing Director at a UK industrial distributor and four years as Managing Director of his own marketing consultancy. Paul is responsible for heading up the Marketing functions and supporting Sean in delivering and implementing strategy across the Group.

Nigel Richens (*Non-Executive Director, aged 58*)

As a former partner of a global accountancy firm, Nigel has over 23 years' experience at partner level advising the boards of listed, family and private equity owned businesses in a variety of industries including manufacturing, distribution, pharmaceuticals, house building, construction, engineering, brewing and leisure. He is treasurer of Onside Youth Zones, a charity building, delivering and sustaining a network of world class facilities for young people.

10. PLACING, VENDOR PLACING AND PLACING AGREEMENT

The Company is proposing to raise £39.9 million by way of a conditional placing by the Company with investors of the Placing Shares at the Placing Price. The Placing Shares will represent approximately 99.75 per cent. of the Enlarged Ordinary Share Capital at Admission. Under the Vendor Placing, the Selling Shareholder has agreed to sell 100,001 Vendor Placing Shares at the Placing Price. Pursuant to the Placing Agreement Zeus Capital has conditionally agreed to use its reasonable endeavours to procure subscribers for the Placing Shares and purchasers for the Vendor Placing Shares and the Company, the Directors and the Selling Shareholder have each given certain warranties (and the Company has given an indemnity) to Zeus Capital, all of which provisions are customary for this type of agreement.

The Placing and Vendor Placing, which is not underwritten, is conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring no later than 21 May 2014 (or such later date as Zeus Capital and the Company may agree, being no later than 30 May 2014).

The estimated net proceeds of the Placing are approximately £36.53 million and will be used to repay senior and shareholder debt. The Group will also procure a term loan facility and a receivables financing facility with Barclays Bank PLC, further terms of which are set out in paragraphs 15.4 and 15.5 of Part V of this Document.

Malcolm Diamond MBE and Nigel Richens are each subscribing for 25,000 Ordinary Shares in the Placing and Sean Fennon and Bryce Brooks are subscribing for 189,000 and 81,000 Ordinary Shares respectively in the Placing.

Further details of the Placing Agreement are set out in paragraph 14 of Part V of this Document.

11. TAXATION

Information regarding taxation is set out in paragraph 10 of Part V of this Document. These details are intended only as a general guide to the current tax position in the UK. **If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.**

12. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 21 May 2014.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST).

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

13. INTERESTS IN ORDINARY SHARES

At Admission, the Directors will in aggregate be interested in, directly and indirectly, 320,000 Ordinary Shares representing approximately 0.8 per cent of the Enlarged Ordinary Share Capital. Further information is available in Part V of this Document.

14. CORPORATE GOVERNANCE

The Directors acknowledge the importance of the principles set out in the Corporate Governance Code. Although the Corporate Governance Code is not compulsory for AIM quoted companies, the Directors intend to apply the principles contained therein, as far as they consider appropriate for a company of its size and nature, in accordance with the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013.

Following Admission, the Board will comprise five directors, three of whom shall be executive directors and two of whom shall be non-executive directors, reflecting a blend of different experience and backgrounds.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all directors will receive appropriate and timely information. Briefing papers will be distributed to all directors in advance of Board meetings. All directors will have access to the advice and services of the Chief Financial Officer, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board Committees

The Company will, upon Admission, have established Audit, Nomination, Remuneration and AIM Compliance and Corporate Governance Committees.

The Audit Committee will have Nigel Richens as chairman, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet at least twice a year. Malcolm Diamond MBE will be the other member of the Audit Committee.

The Nomination Committee will have Malcolm Diamond MBE as chairman, and will identify and nominate, for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee will meet at least once a year. Nigel Richens will be the other member of the Nomination Committee.

The Remuneration Committee will have Nigel Richens as chairman, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least once a year. Malcolm Diamond MBE will be the other member of the Remuneration Committee.

The AIM Compliance and Corporate Governance Committee will have Nigel Richens as chairman, and will be responsible for establishing, reviewing and monitoring the Group's procedures and controls for ensuring compliance with the AIM Rules and the timely disclosure of all information to satisfy the Group's legal and regulatory obligations. The AIM Compliance and Corporate Governance Committee will meet twice a year. Malcolm Diamond MBE and Bryce Brooks will be the other members of the Corporate Governance Committee.

Share Dealing Code

The Directors understand the importance of complying with the AIM Rules relating to dealings by directors and certain other employees of the Group in the Company's shares and has established a share dealing code which is appropriate for an AIM quoted company. The Company will take all reasonable steps to ensure compliance by the directors and any relevant employees.

15. DIVIDEND POLICY

The Directors' intend to implement a progressive dividend policy, subject to the discretion of the Board and subject to the Company having distributable reserves. It is the Directors' intention to pay both an interim dividend and a final dividend in respect of the financial year ending 31 December 2014 which, in total, is expected to equate to a 5 per cent. dividend yield, calculated on the Placing Price. The Director's intention is to pay one third of the dividend following the publication of the Company's interim accounts with the balance being paid following the year end. The Company, as a holding company, will be dependent on dividends paid to it by its subsidiaries to facilitate payment of dividends.

16. APPLICABILITY OF THE TAKEOVER CODE

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage interest in the Company's shares.

17. RISK FACTORS

Your attention is drawn to the risk factors set out in Part II of this Document and to the section entitled "Forward Looking Statements" therein. In addition to all other information set out in this Document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

18. ADDITIONAL INFORMATION

You should read the whole of this Document and not just rely on the information contained in this Part I. Your attention is drawn to the information set out in Parts II to V (inclusive) of this Document which contains further information on the Group.

PART II

RISK FACTORS

Before making any investment decision, prospective investors should carefully consider all the information contained in this Document including, in particular, the risk factors described below. Ordinary Shares may not be a suitable investment for all recipients of this Document. If you are in any doubt about the Ordinary Shares and their suitability for you as an investment, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a company, the Directors consider that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this Document, prior to making any investment decision in respect of the Ordinary Shares. The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority.

It should be noted that the risks described below are not the only risks faced by the Group and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.

If any of the events described in the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment.

Risks specific to Flowtech

The following sets out some of the risks relating to the Flowtech's business. If any of the following risks are borne out in reality, Flowtech's business, financial condition or results of operations could be seriously affected.

Market and competition

The Directors may not be able to prevent Flowtech's current or future competitors, domestic or foreign, from eroding its market share.

The sector in which Flowtech operates is exposed to the economic performance of the markets in which it operates. There can be no assurances that its future performance would not be significantly affected should the economic situation in those markets deteriorate. A general market slowdown or recession could impact adversely on Flowtech's business.

Continued consolidation of the large global fluid power brands

The market has seen some consolidation of the large global fluid power brands. Should this trend continue, it cannot be guaranteed that Flowtech's supplier costs will not rise as a result of the less competitive market or that competitors, following consolidations, will not gain competitive advantage over Flowtech, for example by holding more comprehensive product lines.

Product Development

Flowtech supplies products that are intended to have a commercial application. The success of Flowtech is reliant upon there being a demand for its products, which the Directors cannot guarantee. Flowtech requires the sourcing of appropriate products to supply to its customers and it is possible that Flowtech will not be able to source these products on suitable commercial terms.

Lack of visibility on forward orders

Flowtech concentrates on servicing the need for urgent replacement of technical fluid power products. There is, therefore, limited visibility on forward orders. This makes it more difficult for Flowtech to predict and manage its stock levels than may be the case in other industries.

Relationships with suppliers

The Group sources supplies from a diverse range of internationally based suppliers, with many supplies being received on the relevant supplier's standard terms of sale, order by order, with limited long term supply agreements. Although this provides flexibility, continuity of supply to ensure the Group can meet the needs of its customers cannot be assured, in particular taking account of lead times for receipt of stock to the Group's warehouses, when sourcing products from the Far East.

Information technology disruption

The Group relies on its information technology systems for the day-to-day management of its business, and to manage its stocks, fulfil customer orders and maintain its commercial standing. Such information technology systems may require supplementing, modification or upgrading. There can be no assurance that any maintenance or upgrade will be completed within reasonable timescales or within budget or have the functionality which the Group is anticipating. Any failure of its information technology systems, disruption in or cessation of availability, inability to access data, privacy breach or loss or corruption of data may each have a negative impact on the Group's business, cash flow, and reputation, and may in some circumstances lead to a claim for damages.

Adequacy of the Group's disaster recovery plans

The Group depends on the performance, reliability and availability of its properties, plant and information technology systems. The Group may not be able to access its facilities as a result of events beyond the control of the Directors, such as extreme weather conditions, flood, fire, theft or terrorist action. Any damage to or failure of its equipment and/or systems could also result in disruptions to the Group's operations. The Group's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover all losses in full or in part (including losses resulting from business interruptions) or damage that it suffers fully or at all. The occurrence of one or more of these events could have a material adverse effect on the Group's business, financial position or prospects.

Innovation and development

The Group's strategy relies partially on successful development of own brand functional products that address specific market needs and are substitutable for branded products. It must, therefore, engage in new product identification and development activities, which may not produce innovative, commercially viable results in a timely manner or at all. In addition, the Group may not be able to develop new technologies or identify specific market needs that are addressable by its technologies, or technologies available to it.

Risk of infringement of OEM's intellectual property rights arise from this strategy, which could adversely affect the Group's relations with OEMs for future, regular and timely supply of branded products to maintain stocks and satisfy customer orders.

If the Group's "own brand" products fail or are unable to provide the required functionality, the reputation of the Group's own brand and the Group could be adversely effected.

Exposure to product liability claims

The Group's business exposes it to potential product liability or recall risks. Although some of the Group's third party suppliers supply on terms that seek to limit or exclude liability for product defects, the Group expects, in most cases, to be able to seek recourse from third party suppliers; through continuing to use its buying power to secure supplier co-operation to remedy product liability claims. This, however, cannot be guaranteed.

The Group may be unable to secure adequate insurance at an acceptable cost

The Group's business exposes it to potential product liability and other risks which are inherent in the production and supply of products. No assurance can be made that product liability or any future necessary insurance cover will be procured or available to the Group at an acceptable cost, if at all, or that, if there is any claim, the level of the insurance the Group carries now or in the future will be adequate or that a product liability or other claim would not materially and adversely affect the Group's business.

Market perceptions and negative publicity

The Group is and will be highly dependent upon market perceptions of the Company, its brands and the safety and quality of the products, its stock availability and reliability and speed of delivery. The Group's businesses could be adversely affected if it or its brands are subject to negative publicity. The Group could also be adversely affected if any of its products or any similar products distributed by other companies prove to be, or are asserted to be, harmful or dangerous. Any adverse publicity associated with adverse effects resulting from customer's use or misuse of the Group's products or any similar products distributed by other companies could have a material adverse impact on the Group's results of operations.

Reputation with customer base

Flowtech's future success will be significantly affected by its reputation with its customer base. Should its reputation suffer, fairly or otherwise, future performance could be significantly impaired.

The Group's counterparties may become insolvent

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers, subcontractors and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that counterparty. In the event that a party with whom the Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Group.

Future strategy

There can be no guarantee that Flowtech will be able to replicate past success in its expansion strategy in Europe, Asia or other identified target markets. For example, Flowtech's sales in the Czech Republic currently relate to a sole customer.

Implementation of strategy to replicate the Flowtech business in other territories e.g. Asia, Australia, New Zealand or South Africa, may require substantial initial investment to realise the critical mass required to build a recognised brand within the power fluid product supply chain. Although preliminary market research will be conducted to assess the relevant market prior to effecting such an investment, Flowtech may need to fund such geographical expansion for prolonged periods until any such new operations become profitable and, ultimately, such expansions may not be successful.

Acquisition risk

Flowtech may acquire other businesses if suitable opportunities become available. Any future acquisition poses integration and other risks which may significantly affect Flowtech's results or operations. To the extent that suitable opportunities arise, Flowtech may expand its business through the identification and acquisition of businesses, technologies, products and services.

There can be no assurance that Flowtech will identify suitable acquisitions or opportunities, obtain the financing necessary to complete and support such acquisitions or acquire businesses on satisfactory terms, or that any business acquired will prove to be profitable. In addition, the acquisition and integration of independent businesses is a complex, costly and time-consuming process involving a number of possible problems and risks, including possible adverse effects on Flowtech's operating results, diversion of management's attention, failure to retain personnel, failure to maintain customer service levels, disruption to relationships with customers and other third parties, risks associated with unanticipated events or liabilities and difficulties in the assimilation of the operations, technologies, systems, services and products of the acquired businesses.

No assurance can be given that Flowtech will be able to manage future acquisitions profitably or to integrate such acquisitions successfully without substantial costs, delays or other problems and any failure to achieve successful integration of such acquisitions could have a material adverse effect on the results of operations or financial condition of Flowtech. If Flowtech is unable to attract and retain key officers, managers and technical personnel, its ability to execute its business strategy successfully and to provide quality services to its customers could be materially and adversely affected.

Operational costs

Any change in the costs of operating the business could impact on Flowtech's profitability. Such cost increases could be realised from increments in supplier costs (including, amongst other things, rents for property leases) or increases in costs to be incurred due to regulatory change, e.g. obligation of employers to make contributions to employee pension schemes, with an obligation on employers to make contributions to employee pension schemes. Although such costs are accounted for, where these can be estimated, in future budgets for Flowtech, not all cost increases are capable of being estimated adequately in advance.

Dependence on key personnel

Flowtech has a relatively small senior management team and the loss of any key individual or the inability to attract appropriate additional or replacement personnel with appropriate expertise and skills could impact upon Flowtech's future performance. Likewise, the finding and hiring of such personnel could be costly. Some of Flowtech's middle management are approaching retirement age and it cannot be guaranteed that a suitable management succession plan will be successfully implemented.

Lack of funds available to the Group

Flowtech may need additional working capital in the medium to long term as it implements its strategy. Such funds may not be available on acceptable terms or at all when required and, without additional funds, Flowtech may not be able to effectively execute its growth strategy, take advantage of future opportunities, respond to competitive pressures or unanticipated requirements.

The Group may require further access to further capital which may have a dilutive effect on Shareholders

The Group may require additional funds to respond to business challenges, such as funding future acquisitions or to enhance existing products and services. Accordingly, the Company 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 Company 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 Company 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.

Exchange rate risk

Flowtech's sales are denominated in Sterling and Euros. However, a significant proportion of purchases, including those from Far East suppliers, is denominated in US dollars. This gives rise to a risk of adverse movements in the Sterling/US dollar exchange rate or the Sterling/Euro exchange rate which could cause costs to increase and revenues to decrease resulting in reduced profitability.

Change of control provisions

Flowtech has entered into certain contracts which contain 'change of control' provisions. These clauses allow Flowtech's contracting partners to terminate their arrangement, often at short notice, should there be a change of control of Flowtech.

For example, Flowtech has a three year contract with a global courier delivery services company pursuant to which Flowtech enjoys preferential rates. This contract could be terminated upon 30 days' notice upon a change of control.

No assurances can be made that the counterparty in question or any other counterparty which enjoys the benefit of contracts which contain such change or control clauses will not choose to terminate their contracts following Admission and, should they do so, it cannot be guaranteed that Flowtech will be able to find replacements in a timely fashion or on similarly advantageous terms.

General Risk Factors

Quotation on AIM, liquidity and possible price volatility

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of Flowtech, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in Flowtech's sector and other events and factors outside of Flowtech's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares in the Company may be influenced by a number of factors, some of which may pertain to the Group and others which are extraneous. These factors could include the performance of the Group's business, changes in the values of its investments, changes in the amount of distributions or dividends, changes in the Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority.

In addition, there can be no guarantee that Flowtech's Ordinary Shares will continue to trade on AIM in the future or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Legislation and tax status

This Document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may changes. Any change in legislation or regulation and, in particular, in tax status or tax residence of the Group or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

Economic, political, judicial, administrative, taxation or other regulatory matters

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters.

Taxation

The attention of potential investors is drawn to paragraph 10 of Part V of this Document headed "Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life.

Representations in this Document concerning the taxation of the Group and its investors are based upon current tax law and practice which is, in principle, subject to change.

Dividends

Flowtech's ability to pay dividends will depend on the level of distributions, if any, received from its operating subsidiaries. Flowtech's subsidiaries may, from time to time, be subject to restrictions on their ability to make distributions to Flowtech including foreign exchange limitations, and regulatory, fiscal and other restrictions. There can be no assurance that such restrictions will not have a material adverse effect on Flowtech's results or financial condition.

Forward looking statements

All statements other than statements of historical fact included in this Document, including, without limitation, those regarding Flowtech's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to Shareholder returns, dividends or any statements preceded by, followed by or that include the words "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements.

Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond Flowtech's control that could cause the actual results and performance to be materially different from future results and performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Flowtech's present and future business strategies and the environment in which Flowtech will operate in the future.

These forward looking statements speak only as of the date of this Document. Flowtech expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in Flowtech's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority

PART III

HISTORICAL FINANCIAL INFORMATION

SECTION A – ACCOUNTANTS' REPORT

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

T +44 (0)161 953 6900
F +44 (0)161 953 6901
www.grant-thornton.co.uk

Flowtech Fluidpower plc
Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

9 May 2014

Dear Sirs

FLOWTECH HOLDINGS LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

We report on the financial information set out in section B of Part III, for the three years ended 31 December 2013. This financial information has been prepared for inclusion in the AIM Admission Document dated 9 May 2014 of Flowtech Fluidpower plc on the basis of the accounting policies set out in note 2 of the financial information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM Admission Document.

The Directors of Flowtech Fluidpower plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 9 May 2014, a true and fair view of the state of affairs of Flowtech Holdings Limited and its subsidiary undertakings as at each of 31 December 2013, 2012 and 2011 and of its losses, cash flows and recognised gains and losses and changes in equity for the three years ended 31 December 2013 in accordance with International Financial Reporting Standards adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

SECTION B – FINANCIAL INFORMATION

Consolidated Income Statement
for year ended 31 December

	Note	*2013* *£000*	*2012* *£000*	*2011* *£000*
Revenue	3	34,272	33,830	35,902
Cost of sales		(22,857)	(23,342)	(24,531)
Gross profit		11,415	10,488	11,371
Distribution expenses		(1,823)	(1,968)	(2,067)
Administrative expenses (includes impairment of goodwill of £160,000 (2012: £nil, 2011: £2,896,000))		(5,318)	(4,910)	(8,086)
Operating profit	5	4,274	3,610	1,218
Financial expenses	8	(5,197)	(5,461)	(5,774)
Net financing expense		(5,197)	(5,461)	(5,774)
Share of loss of associates and jointly controlled entities using the equity accounting method, net of tax	12	-	-	(147)
Loss before tax		(923)	(1,851)	(4,703)
Taxation	9	(876)	(268)	35
Loss for the year		(1,799)	(2,119)	(4,668)
Basic and Diluted Loss per share	4	138p	163p	359p

The results for the period are derived from continuing operations.

Consolidated Statement of Comprehensive Income

	2013 *£000*	*2012* *£000*	*2011* *£000*
Loss for the year	(1,799)	(2,119)	(4,668)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	27	(70)	6
Total comprehensive income for the year	(1,772)	(2,189)	(4,662)

Consolidated Balance Sheet

As at 31 December

	Note	2013 £000	2012 £000	2011 £000	2010 £000
Non-current assets					
Property, plant and equipment	10	1,729	1,810	1,770	1,704
Intangible assets	11	42,524	42,684	42,684	45,420
Investments in associates		-	-	-	241
		44,253	44,494	44,454	47,365
Current assets					
Inventories	16	9,804	9,197	9,811	7,898
Trade and other receivables	17	7,626	7,600	8,127	7,827
Prepayments		195	227	347	306
Current tax assets		-	25	26	139
Other financial assets	13	-	29	3	-
Cash and cash equivalents	27	2,265	283	956	1,006
		19,890	17,361	19,270	17,176
Total assets		64,143	61,855	63,724	64,541
Current liabilities					
Overdraft	27	-	179	-	128
Other interest-bearing loans and borrowings	18	11,267	8,843	7,620	5,634
Trade and other payables	19	4,555	4,736	5,394	4,694
Tax payable		492	510	356	402
Provision	21	67	-	-	-
Other financial liabilities	14	32	51	97	-
		16,413	14,319	13,467	10,858
Non-current liabilities					
Other interest-bearing loans and borrowings	18	60,760	58,780	59,209	57,865
Provisions	21	104	104	144	234
Deferred tax liabilities	15	54	68	131	149
		60,918	58,952	59,484	58,248
Total liabilities		77,331	73,271	72,951	69,106
Net liabilities		(13,188)	(11,416)	(9,227)	(4,565)
Equity attributable to equity holders of the parent					
Share capital	22	96	96	96	96
Share premium		247	247	247	247
Currency translation reserve		(37)	(64)	6	-
Retained losses		(13,494)	(11,695)	(9,576)	(4,908)
Total equity		(13,188)	(11,416)	(9,227)	(4,565)

Consolidated Statement of Changes in Equity

for year ended 31 December

	Share capital £000	*Share premium £000*	*Currency translation reserve £000*	*Retained losses £000*	*Total Equity £000*
Balance at 1 January 2011	96	247	-	(4,908)	(4,565)
Total comprehensive income for the year					
Loss for the year	-	-	-	(4,668)	(4,668)
Other comprehensive income for the year	-	-	6	-	6
Total comprehensive income for the year	-	-	6	(4,668)	(4,662)
Balance at 31 December 2011 and 1 January 2012	96	247	6	(9,576)	(9,227)
Total comprehensive income for the year					
Loss for the year	-	-	-	(2,119)	(2,119)
Other comprehensive income for the year	-	-	(70)	-	(70)
Total comprehensive income for the year	-	-	(70)	(2,119)	(2,189)
Balance at 31 December 2012 and 1 January 2013	96	247	(64)	(11,695)	(11,416)
Total comprehensive income for the year					
Loss for the year	-	-	-	(1,799)	(1,799)
Other comprehensive income for the year	-	-	27	-	27
Total comprehensive income for the year	-	-	27	(1,799)	(1,772)
Balance at 31 December 2013	96	247	(37)	(13,494)	(13,188)

Cash Flow Statements

for year ended 31 December

	Note	2013 £000	2012 £000	2011 £000
Cash flows from operating activities				
Loss for the year		(1,799)	(2,119)	(4,668)
Adjustments for:				
Depreciation, amortisation and impairment		608	424	3,350
Financial expense		5,197	5,461	5,774
Share of profit of equity-accounted investees		-	-	147
Loss on sale of property, plant and equipment		10	37	37
Taxation		876	268	(35)
		4,892	4,071	4,605
Decrease/(Increase) in trade and other receivables		35	614	(370)
(Increase)/decrease in inventories		(607)	614	(1,913)
(Decrease)/increase in trade and other payables		(156)	(733)	692
Increase/(Decrease) in provisions		67	(40)	(90)
		4,231	4,526	2,924
Tax (paid)/received		(883)	(170)	66
Net cash from operating activities		3,348	4,356	2,990
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		11	27	19
Acquisition of subsidiary, net of cash acquired		-	(10)	(216)
Acquisition of property, plant and equipment		(385)	(472)	(586)
Net cash from investing activities		(374)	(455)	(783)
Cash flows from financing activities				
Proceeds from new loan		10,000	-	-
Net receipt/(payment) of short term borrowings		3,692	(1,262)	2,294
Interest paid		(4,339)	(952)	(1,092)
Repayment of borrowings		(10,149)	(2,523)	(3,303)
Payment of finance lease liabilities		(17)	(16)	(28)
Net cash from financing activities		(813)	(4,753)	(2,129)
Net increase/(decrease) in cash and cash equivalents		2,161	(852)	78
Cash and cash equivalents at 1 January		104	956	878
Cash and cash equivalents at 31 December	27	2,265	104	956

Notes to the historic financial information

1 General information

The principal activity of Flowtech Holdings Limited (for the purposes of this Part III only, the "Company") and its subsidiaries (for the purposes of this Part III only, together, the "Group") is the distribution of engineering components, concentrating on the fluid power industry. The Company is incorporated and domiciled in the UK. The address of its registered office is Pimbo Road, Skelmersdale, Lancashire WN8 9RB. The registered number is 5207649.

The financial information presented is for the years ended 31 December 2011, 31 December 2012 and 31 December 2013.

2 Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The historical financial information has been prepared in accordance with the requirements of the AIM Rules for Companies for the purposes of this Document dated 9 May 2014 and represents consolidated financial information for the parent company and its subsidiaries for each of the three years ended 31 December 2011, 31 December 2012 and 31 December 2013 and in accordance with this basis of preparation. The basis of preparation describes how the historical consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS"). This is the first financial information of the Group prepared in accordance with Adopted IFRS.

The consolidated financial information has been prepared on a going concern basis and prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the profit or loss.

The consolidated financial information is presented in sterling and has been rounded to the nearest thousand (£'000).

The preparation of the financial information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates. Disclosure of critical judgements and accounting estimates is in note 28.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial information and in preparing an opening IFRS balance sheet at 1 January 2011 for the purposes of the transition to Adopted IFRSs.

2.2 Transition to Adopted IFRSs

The Group is preparing financial information in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 30.

- Business combinations – Business combinations that took place prior to 1 January 2011 have not been restated.

- Cumulative currency translation differences – Cumulative currency translation differences for all foreign operations have been set to zero at 1 January 2011.

2.3 Going concern

In common with most private equity funded transactions, the capital structure comprises equity and loan funding from shareholders together with bank funding. The Directors have carefully considered the banking facilities and their future covenant compliance in light of the current and future cash flow forecasts and they believe that the Company and the Group are appropriately positioned to ensure the conditions of their funding will continue to be met and therefore enable the Company and the Group to continue in operational existence for the foreseeable future by meeting their liabilities as they fall due for payment. Notes 18 and 23 to the financial information include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

2.4 Basis of consolidation

Subsidiaries

The Group's financial information consolidates those of the parent company and all of its subsidiaries as of 31 December 2013. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent. of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

2.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency Sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the currency translation reserve.

The Group has taken advantage of the relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs (1 January 2011).

2.6 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or Group); and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2.7 Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Plant, machinery and equipment	5 to 15 years
Motor vehicles	3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2.9 Business combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions prior to 1 January 2011 (date of transition to IFRSs)

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2011. In respect of acquisitions prior to 1 January 2011, goodwill is included at 1 January 2011 on the basis of the amount recorded under UK GAAP.

Acquisitions after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2.10 Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Cost is based on the first-in first-out/weighted average principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

2.12 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination and represent the lowest level within the Group at which management monitor the related goodwill.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

2.14 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

2.15 Revenue

Revenue is the total amount receivable by the Group for goods supplied, excluding VAT and discounts. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, which is determined to be at the point of despatch.

2.16 Segmental reporting

An operating segment represents a distinguishable component of the Group that has been identified on the basis of the level of aggregation used within the business when reporting to the chief operating decision maker. These segments form the basis of assessing financial performance and allocating resources.

2.17 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable and finance charges on finance leases recognised in profit or loss using the effective interest method. Financing income comprise interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

2.18 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.19 Adopted IFRS not yet applied

There are no new endorsed standards, amendments and interpretations that are not yet effective for the period ended 31 December 2013 and which will have a significant impact on the information reported by the Group in future periods. The impact of amendments to IAS 36, IAS 39, IFRS 10, IFRS 11 and IFRS 12 is not significant.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future reporting periods, this includes IFRS 7, IFRS 9 and improvements to IFRS's 2010-2012 and IFRIC interpretation 21.

2.20 Equity

Equity comprises the following:

- "share capital" represents the nominal value of equity shares
- "share premium" represents the excess over nominal value of consideration received for equity shares net of expenses of the share issue
- "currency translation reserve" comprises all foreign exchange differences arising since 1 January 2011, arising from the translation of foreign operations
- "Retained losses" represent retained losses of the Group.

3 Segmental information

Basis for segmentation

IFRS 8 requires operating segments to be identified on the basis of internal financial information about the components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources to the segments and to assess their performance. The Chief Operating Decision Maker has been identified as the Executive Directors ('the Board'). The Board reviews the Group's internal reporting in order to assess the performance and allocate resources. The Board has determined that the operating segments based on these reports are Flowtechnology UK, Industrial Product and Services ("IPS") and Flowtechnology Benelux. Flowtechnology UK's principal activity is the purchasing and distribution of engineering components, principally to distributors in the UK and Eire. Flowtechnology Benelux's principal activity is the purchasing and distribution of engineering components to a mix of distributors and end user consumers in the Netherlands and Belgium. IPS's principal activity is that of the supply of valves, tubes, fittings and ancillary equipment within the UK.

The Board assesses the performance of the operating segments based on a measure of operating profit. Finance income and costs are not included in the segment result that is assessed by the Board.

	2013			
	Flowtech-nology UK £000	*Flowtech-nology Benelux £000*	*IPS £000*	*Total £000*
Revenue – external customers	28,578	3,526	2,168	34,272
Intercompany revenue	572	182	-	754
Reportable segments revenue	29,150	3,708	2,168	35,026
Elimination of intercompany revenue				(754)
Group Revenue				34,272
EBITDA for reportable segment	6,513	221	(511)	6,223
Depreciation and amortisation	(380)	(48)	(180)	(608)
Central costs – Administrative expenses				(1,341)
Group operating profit				4,274
Finance expenses				(5,197)
Group loss before tax				(923)

The depreciation and amortisation charge of £180,000 for IPS includes an impairment loss in respect of goodwill of £160,000 (see note 11).

3 Segmental information (continued)

	Revenue from external customers			Non-Current Assets		
	2013	2012	2011	2013	2012	2011
	£000	£000	£000	£000	£000	£000
United Kingdom	28,278	28,037	29,164	43,306	43,512	43,443
Europe	5,789	5,582	6,361	947	982	1,011
Rest of world	205	211	377	-	-	-
Total	34,272	33,830	35,902	44,253	44,494	44,454

All revenue is derived from the sale of goods for the years ended 31 December 2013, 31 December 2012 and 31 December 2011. No customers of the Group account for 10 per cent. of the Group's Revenue for each of the years ended 31 December 2011, 31 December 2012 and 31 December 2013.

	2012			
	Flowtech-nology UK	Flowtech-nology Benelux	IPS	Total
	£000	£000	£000	£000
Revenue – external customers	27,269	3,765	2,796	33,830
Intercompany revenue	519	157	-	676
Reportable segments revenue	27,788	3,922	2,796	34,506
Elimination of intercompany revenue				(676)
Group Revenue				33,830
EBITDA for reportable segments	5,265	355	(627)	4,993
Depreciation	(346)	(61)	(17)	(424)
Central costs – Administrative expenses				(959)
Group operating profit				3,610
Finance expenses				(5,461)
Group loss before tax				(1,851)

	2011			
	Flowtech-nology UK	Flowtech-nology Benelux	IPS	Total
	£000	£000	£000	£000
Revenue – external customers	26,436	4,808	1,401	32,645
Intercompany revenue	1,031	-	-	1,031
Reportable segments revenue	27,467	4,808	1,401	33,676
Elimination of intercompany revenue				(1,031)
Other revenue – external				3,257
Group Revenue				35,902
EBITDA for reportable segments	5,036	165	31	5,232
Depreciation	(367)	(81)	(6)	(454)
Central costs – Administrative expenses				(708)
Euro Plumbing Services operating loss				(2,852)
Group operating profit				1,218
Group's share of associate losses				(147)
Finance expenses				(5,774)
Group loss before tax				(4,703)

Euro Plumbing Services operating loss of £2,852,000 for the year ended 31 December 2011 includes the write off of goodwill in respect of Euro Plumbing Services of £2,896,000 (see note 11).

4 Loss per share

	2013	2012	2011
Loss attributable to B ordinary shareholders (£'000)	(1,799)	(2,119)	(4,668)
Basic loss per share	138p	163p	359p
Diluted loss per share	138p	163p	359p

Basic and diluted loss per share are calculated by dividing the loss for each year attributable to equity holders by the weighted average number of shares in issue.

	2013 Number	*2012 Number*	*2011 Number*
Basic and diluted weighted average	1,300,000	1,300,000	1,300,000

5 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2013 £000	*2012 £000*	*2011 £000*
Impairment loss on other trade receivables and prepayments	100	205	86
Loss/(gain) on foreign currency transactions	36	(38)	(16)
Impairment loss on inventory	231	366	48
Impairment loss on goodwill	160	-	2,896

Auditor's remuneration:

	2013 £000	*2012 £000*	*2011 £000*
Audit of the statutory financial statements of Flowtech Holdings Limited	8	8	8
Disclosure below based on amounts receivable in respect of other services to the company and its subsidiaries			
Amounts receivable by the company's auditor and its associates in respect of:			
Audit of financial statements of subsidiaries of the company	32	30	70
Tax advisory services	-	-	24
Due diligence services	104	-	-

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during each year, analysed by category, was as follows:

	Number of employees		
	2013	*2012*	*2011*
Distribution	75	81	81
Administration	97	99	78
	172	180	159

The aggregate payroll costs of these persons were as follows:

	2013 *£000*	*2012* *£000*	*2011* *£000*
Wages and salaries	4,463	4,589	4,154
Social security costs	474	509	378
Contributions to defined contribution plans	59	66	55
	4,996	5,164	4,587

7 Key management compensation

The remuneration of the directors and the chairman, who are the key management of the Group is set out below in aggregate for each of the key categories specified in IAS 24 '*Related Party Disclosures*'.

	2013 *£000*	*2012* *£000*	*2011* *£000*
Remuneration	569	427	469
Benefits in kind	28	21	5
	597	448	474

Emoluments of the highest paid director was £250,000 (*2012: £210,000, 2011: £218,000*). Compensation of the Group's key management personnel includes salaries and non-cash benefits.

8 Net finance costs

	2013 *£000*	*2012* *£000*	*2011* *£000*
Net loss on financial instruments held for trading (including all derivatives not used as hedging instruments)	(32)	(55)	(94)
Re-measurement to fair value of pre-existing interest in acquiree	-	-	(221)
Interest expense on financial liabilities measured at amortised cost	(5,165)	(5,406)	(5,459)
Total finance expense	(5,197)	(5,461)	(5,774)
Finance income	-	-	-
Net finance cost	(5,197)	(5,461)	(5,774)

On the 31 July 2011, the Group acquired 60 per cent. of the ordinary shares in its associate, Merchantz Limited. As a result, the Group's equity interest in Merchantz Limited increased from 40 per cent. to 100 per cent., obtaining control of Merchantz Limited. The re-measurement to fair value of the Group's existing 40 per cent. interest in Merchantz Limited as at 31 July 2011 resulted in a loss of £221,000, which is included in the finance expense in the year ended 31 December 2011.

9 Taxation

Recognised in the income statement

	2013 £000	2012 £000	2011 £000
Current tax expense			
Current year	642	361	215
Adjustments for prior years	248	(30)	(232)
Current tax expense/(credit)	890	331	(17)
Deferred tax expense			
Origination and reversal of temporary differences	-	(69)	(8)
Reduction in tax rate	(14)	6	(10)
Deferred tax credit	(14)	(63)	(18)
Total tax expense/(credit)	876	268	(35)

No income tax was recognised in other comprehensive income or directly in equity for the years ended 31 December 2011, 31 December 2012 and 31 December 2013.

Reconciliation of effective tax rate

	2013 £000	2012 £000	2011 £000
Loss for the year	(1,799)	(2,119)	(4,668)
Total tax expense/(credit)	876	268	(35)
Profit excluding taxation	(923)	(1,851)	(4,703)
Tax using the UK corporation tax rate of 23.25% (2012: 24.5%, 2011: 26.5%)	(215)	(454)	(1,246)
Effect of tax rates in foreign jurisdictions	6	-	(10)
Reduction in tax rate on deferred tax balances	(14)	(6)	(10)
Non-deductible expenses	851	861	1,472
Under/(over) provided in prior years	248	(133)	(241)
Total tax expense/(credit)	876	268	(35)

Reductions in the UK corporation tax rate from 26 per cent. to 24 per cent. (effective from 1 April 2012) and to 23 per cent. (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21 per cent. (effective from 1 April 2014) and 20 per cent. (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly. Deferred tax as at 31 December 2013 has been calculated based on the rates of 20 per cent. and 21 per cent. substantively enacted at the balance sheet date.

10 Property, plant and equipment

	Plant, machinery & equipment £000	*Motor Vehicles £000*	*Total £000*
Cost			
Balance at 1 January 2011	4,696	80	4,776
Acquisitions	534	-	534
Acquisitions through business combinations	52	-	52
Disposals	(437)	(33)	(470)
Effect of movements in foreign exchange	(5)	(2)	(7)
Balance at 31 December 2011 and 1 January 2012	4,840	45	4,885
Acquisitions	522	-	522
Disposals	(64)	-	(64)
Effect of movements in foreign exchange	(16)	-	(16)
Balance at 31 December 2012 and 1 January 2013	5,282	45	5,327
Acquisitions	385	-	385
Disposals	(25)	(45)	(70)
Effect of movements in foreign exchange	14	-	14
Balance at 31 December 2013	5,656	-	5,656
Depreciation and impairment			
Balance at 1 January 2011	3,009	63	3,072
Depreciation charge for the year	451	3	454
Disposals	(381)	(33)	(414)
Effect of movements in foreign exchange	3	-	3
Balance at 31 December 2011 and 1 January 2012	3,082	33	3,115
Depreciation charge for the year	419	5	424
Disposals	(10)	-	(10)
Effect of movements in foreign exchange	(12)	-	(12)
Balance at 31 December 2012 and 1 January 2013	3,479	38	3,517
Depreciation charge for the year	445	3	448
Disposals	(8)	(41)	(49)
Effect of movements in foreign exchange	11	-	11
Balance at 31 December 2013	3,927	-	3,927
Net book value			
At 1 January 2011	1,687	17	1,704
At 31 December 2011 and 1 January 2012	1,758	12	1,770
At 31 December 2012 and 1 January 2013	1,803	7	1,810
At 31 December 2013	1,729	-	1,729

At year end the net carrying amount of leased plant, machinery and equipment was £50,000 (*2012: £56,635, 2011: £nil*).

11 Intangible assets

	Goodwill £000	Total £000
Cost		
Balance at 1 January 2011	45,420	45,420
Acquisitions through business combinations	160	160
Disposal of subsidiary	(2,896)	(2,896)
Balance at 31 December 2011, 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	42,684	42,684
Impairment		
Balance at 1 January 2011	-	-
Impairment charge	2,896	2,896
Disposal of subsidiary	(2,896)	(2,896)
Balance at 31 December 2011 and 1 January 2012	-	-
Balance at 31 December 2012 and 1 January 2013	-	-
Impairment charge	160	160
Balance at 31 December 2013	160	160
Net book value		
At 1 January 2011	45,420	45,420
At 31 December 2011 and 1 January 2012	42,684	42,684
At 31 December 2012 and 1 January 2013	42,684	42,684
At 31 December 2013	42,524	42,524

Impairment loss

The impairment charge is recognised in the following line items in the income statement:

	2013 £000	2012 £000	2011 £000
Administration expenses	160	-	2,896

During the year ended 31 December 2011, the decision was made by the directors of the Group to sell its Euro Plumbing Supplies ("EPS") business. Immediately before the EPS business was recognised as a disposal group held for sale, management performed an impairment review of the goodwill and this led to the impairment loss of £2,896,000. The EPS business had experienced a reduction in revenues and was sold for the carrying value of the assets disposed which principally included non-current assets and inventory. The impairment loss has been recognised within administration expenses in the profit or loss during year ended 31 December 2011.

During the year ended 31 December 2013, management identified that the performance of the Industrial Products & Supplies Limited business had been adversely affected by reductions in public spending since 2012. During 2013 a restructure of the IPS business was performed. This led to management reviewing the recoverable amount for goodwill allocated to IPS, which led to the impairment loss of £160,000. The impairment loss of £160,000 has been recognised within administration expenses in the profit or loss in the year ended 31 December 2013.

11 Intangible assets (continued)

Goodwill considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	2013	*2012*	*2011*
	£000	*£000*	*£000*
Flowtechnology UK	41,676	41,676	41,676
Flowtechnology Benelux	848	848	848
Industrial Product & Supplies	-	160	160

Recoverable amounts for cash generating units are based on the higher of value in use and fair value less costs to sell. The recoverable amount of each cash generating unit has been calculated with reference to its value in use.

The value in use is calculated from cash flow projections for the Group based on the Group's latest financial forecasts which are for a period of 5 years, which are extrapolated using an annual growth rate of 2.5 per cent. The Group's latest financial forecasts which cover a 5 year period are reviewed by the Board.

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimate discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash generating units. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market. The growth rates used in value in use calculation reflect the average growth rate experienced by the Group for the industry.

In respect of the goodwill attributed to Flowtech UK, the headroom compared to the carrying value exceeds £6.5 million. Increasing the discount rate to 16 per cent. and leaving all other factors the same would lead to the recoverable amount being equal to the carrying value of the goodwill attributed to Flowtechnology UK. Applying a discount rate of 12 per cent. and reducing the annual cash flows by 15 per cent. would lead to the recoverable amount being equal to the carrying value of the goodwill attributed to Flowtechnology UK.

The pre-tax discount rates used to calculate value in use range from 12 per cent. to 14 per cent. (*2012: 12 per cent. to 14 per cent., 2011: 12 per cent. to 14 per cent.*). These discount rates are derived from the Group's weighted average cost of capital.

12 Subsidiary undertakings and investments in associates

The Group has the following investments in subsidiaries and associates:

	Country of Incorporation	*Principal activity*	*Ownership 2013*	*2012*	*2011*
Flowtech Midco Limited	UK	Holding Company	100%	100%	100%
Flowtech IPL Limited	UK	Holding Company	100%	100%	100%
Flowtech Limited	UK	Distributors of engineering components	100%	100%	100%
Industrial Products & Supplies Limited	UK	Supply of engineering components	100%	100%	100%
Flowtechnology Benelux B V	Netherlands	Distributors of engineering components	100%	100%	100%
Vitassem Limited	UK	Hose assemblies	100%	100%	100%
Merchantz Limited*	UK	Distributors of engineering components (dissolved April 2013)	-	100%	100%
Flowtechnology CZ Limited	UK	Assembly of engineering components	100%	100%	100%
Flowtech Europe Limited	UK	Holding company	100%	100%	100%
Industrial Tubes & Valves Limited*	UK	Dormant (dissolved April 2013)	-	100%	100%
Plumb & Heat Supplies Limited*	UK	Dormant (dissolved April 2013)	-	100%	100%
Flowtechnology Asia Limited	UK	Holding Company	100%	100%	100%
IPL Fluid Power Limited	UK	Dormant	100%	100%	100%
Flowtechnology HK Limited	China	Holding Company	100%	100%	100%

12 Subsidiary undertakings and investments in associates (continued)

For all the subsidiaries above the class of shares held are ordinary shares and all subsidiaries except Flowtech Midco Limited are indirect subsidiaries of Flowtech Holdings Limited.

*During the year ended 31 December 2013, the subsidiary undertakings, Merchantz Limited, Plumb & Heat Supplies Limited and Industrial Tubes & Valves Limited were dissolved.

On 31 July 2011, the Group acquired 60 per cent. of the ordinary shares in Merchantz Limited. As a result, the Group's equity interest in Merchantz Limited increased from 40 per cent. to 100 per cent., obtaining control of Merchantz Limited. During the period from 1 January 2011 to 31 July 2011, the Group's share of the loss of its associate, Merchantz Limited was £147,000.

Summary aggregated financial information on Merchantz Limited for the period from 1 January 2011 to 31 July 2011, when it became a 100 per cent. owned subsidiary;

	2011
	£000
Revenues	2,485
Loss	(368)

13 Other financial assets

	2013	*2012*	*2011*
	£000	*£000*	*£000*
Current			
Financial assets held for trading (including all derivatives)	-	29	3
	-	29	3

14 Other financial liabilities

	2013	*2012*	*2011*
	£000	*£000*	*£000*
Current			
Financial liabilities held for trading (including all derivatives)	32	51	97
	32	51	97

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			*Liabilities*		
	2013	*2012*	*2011*	*2013*	*2012*	*2011*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Property, plant and equipment	-	-	-	(109)	(90)	(166)
Financial assets	11	16	29	-	-	-
Interest-bearing loans and borrowings	38	-	-	-	-	-
Provisions	6	6	6	-	-	-
Tax assets/(liabilities)	55	22	35	(109)	(90)	(166)
Net deferred tax liability				(54)	(68)	(131)

15 Deferred tax assets and liabilities (continued)

A deferred tax asset of £147,000 (2012: £169,000, 2011: £118,000) in respect of unused tax losses of £735,000 (2012: £735,000, 2011: £472,000) has not been recognised due to uncertainty surrounding the availability of future profits, for which these losses can be utilised. There is no time limit in respect of the use of these losses.

Movement in deferred tax during the year ended 31 December 2013

	1 January 2013 £000	*Recognised in income £000*	*31 December 2013 £000*
Property, plant and equipment	(90)	(19)	(109)
Financial assets	16	(5)	11
Interest-bearing loans and borrowings	-	38	38
Provisions	6	-	6
	(68)	14	(54)

Movement in deferred tax during years ended 31 December 2011 and 31 December 2012

	1 January 2011 £000	*Recognised in income £000*	*31 December 2011 and 1 January 2012 £000*	*Recognised in income £000*	*31 December 2012 £000*
Property, plant and equipment	(155)	(11)	(166)	76	(90)
Financial assets	-	29	29	(13)	16
Provisions	6	-	6	-	6
Deferred tax liability	(149)	18	(131)	63	(68)

16 Inventories

	2013 £000	*2012 £000*	*2011 £000*
Finished goods	9,804	9,197	9,811

Changes in finished goods recognised as cost of sales in the year amounted to £19,623,000 (*2012: £19,557,000, 2011: £21,442,000*). The write-down of inventories to net realisable value amounted to a write down of £231,000 (*2012: write down of £366,000, 2011: write-down of £48,000*). The write-downs are included in cost of sales.

Estimates are made of the net realisable value of inventory at the year end. In some circumstances, inventory is subsequently sold in excess of the net realisable value determined, which results in a reversal of the write down.

17 Trade and other receivables

	2013 £000	*2012 £000*	*2011 £000*
Trade receivables	7,450	7,415	8,018
Other receivables	176	185	109
Trade receivables and other receivables	7,626	7,600	8,127

18 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

	2013	*2012*	*2011*
	£000	*£000*	*£000*
Non-current liabilities			
Secured bank loans	5,625	6,385	10,933
Finance lease liabilities	12	25	-
Shareholder loan	55,123	52,370	48,276
	60,760	58,780	59,209
Current liabilities			
Current portion of secured bank loans	3,750	5,014	2,538
Stock loan facility	2,775	-	-
Invoice discounting facility	4,730	3,812	5,075
Current portion of finance lease liabilities	12	17	7
	11,267	8,843	7,620

Terms and debt repayment schedule

	Currency	*Nominal interest rate*	*Year of maturity*	*Carrying value 2013 £000*	*Carrying value 2012 £000*	*Carrying value 2011 £000*
Secured bank loan	GBP	Libor + 3%	2016	9,375	-	-
Facility B bank loan	GBP	Libor + 4.75%	2014	-	5,014	5,000
Facility A bank loan	GBP	Libor + 4.25%	2012	-	-	2,538
Mezzanine facility	GBP	Libor + 12%*	2014	-	6,385	5,933
Invoice Discounting Facility	GBP	Libor + 3%	n/a	4,730	3,812	5,075
Finance lease liabilities	GBP	4.8%	2015	24	42	7
Stock loan	GBP	Libor + 4%	n/a	2,775	-	-
Shareholder Loan	GBP	Libor + 4.5% with de minimis level of 8%	2015	55,123	52,370	48,276
				72,027	67,623	66,829

*The Mezzanine facility included capitalised interest of 8%, which was capitalised every 6 months.

During the year ended 31 December 2013, the Group refinanced its banking facilities with its existing provider. The Mezzanine facility including rolled up interest and the Facility B bank loan was repaid. The facilities were replaced with a bank loan of £10,000,000, which is repayable in instalments over the period to 31 December 2016 and a new stock loan facility of £3,000,000. The bank loans, stock loan facility and invoice discounting facility are secured by legal charges over certain of the Group's assets, which include inventory and trade receivables.

The re-financing of the banking facilities represented a substantial modification of the terms. Consequently, the arrangement fees of £175,000 have been expensed to the profit or loss in the year ended 31 December 2013. No gain or loss was recognised on the extinguishment of the bank loans.

18 Other interest-bearing loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2013 £000	*Interest 2013 £000*	*Principal 2013 £000*	*Minimum lease payments 2012 £000*	*Interest 2012 £000*	*Principal 2012 £000*
Less than one year	14	2	12	20	3	17
Between one and five years	15	3	12	30	5	25
More than five years	-	-	-			
	29	5	24	50	8	42

	Minimum lease payments 2011 £000	*Interest 2011 £000*	*Principal 2011 £000*
Less than one year	8	1	7
	8	1	7

19 Trade and other payables

	2013 £000	*2012 £000*	*2011 £000*
Current			
Trade payables	3,013	3,158	4,067
Non-trade payables and accrued expenses	893	867	786
Social security and other taxes	649	711	541
	4,555	4,736	5,394

20 Employee benefits

Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in each year was £58,741 (*2012: £65,705, 2011: £54,826*).

21 Provisions

	Dilapidation provision £000	*Other £000*	*Total £000*
Balance at 1 January 2011	234	-	234
Released during the year	(128)	-	(128)
Provisions in the year	38	-	38
Balance at 31 December 2011 and 1 January 2012	144	-	144
Provisions used during the year	(40)	-	(40)
Balance at 31 December 2012 (non-current)	104	-	104
Balance at 1 January 2013	104	-	104
Provisions made during the year	-	67	67
Balance at 31 December 2013	104	67	171
Non-current	104	-	104
Current	-	67	67
	104	67	171

The dilapidation provision is held in respect of leasehold properties held by the Group and represents management's best estimate of the amount which is expected to be settled in respect of dilapidation costs for the relevant sites. This is expected to be utilised in more than 5 years.

The other provisions are held primarily in respect of leasehold properties which are vacant. Provision has been made for the residual lease commitments, after taking into account assumptions relating to periods of vacancy. This is expected to be utilised in 2014.

22 Capital and reserves

Share capital

		Ordinary shares	
In thousands of shares	*2013*	*2012*	*2011*
'A' Ordinary shares	8,300	8,300	8,300
'B' Ordinary shares	1,300	1,300	1,300
In issue at 1 January and 31 December – fully paid	9,600	9,600	9,600

	2013 £000	*2012 £000*	*2011 £000*
Allotted, called up and fully paid			
Ordinary shares of £0.01 each			
'A' Ordinary shares	83	83	83
'B' Ordinary shares	13	13	13
Shares classified in shareholders' funds	96	96	96

Voting rights

The 'A' Ordinary shares and 'B' Ordinary shares carry one vote per share.

22 Capital and reserves (continued)

Return of capital

On a return of assets, the assets of the company remaining after the payment of liabilities shall be paid on 'A' Ordinary shares and 'B' Ordinary shares on an equal basis.

Currency translation reserve

The translation reserve comprises all foreign exchange differences arising since 1 January 2011, the transition date to Adopted IFRSs, from the translation of the financial information of foreign operations.

Dividends

No dividends were recognised during the years ended 31 December 2011, 31 December 2012 and 31 December 2013. Dividends will be paid to holders of the 'A' Ordinary shares in priority to any payments by way of dividend to the holders of any other shares of the capital of the company. 'A' Ordinary shares will receive a cumulative participating dividend of an amount equal to a percentage of net profit for each financial year. The percentage of net profit to be paid as dividend is 10 per cent. Dividends on 'A' Ordinary shares will be paid ipso facto and without any resolution of the board or of the company in a general meeting. No dividends shall be declared or paid on the 'B' Ordinary shares without the prior written consent of the majority investors.

During the year ended 31 December 2011, the Group's subsidiary, Flowtech Limited, issued 'B' and 'C' Ordinary shares in its capital to key management personnel for consideration of £0.01 per share, which represent the nominal value of each share. No minority interest has been recognised in respect of the shareholding as the 'B' and 'C' Ordinary shares have no rights to dividends and are only entitled to a return on sale if the enterprise value of the Group exceeds a threshold specified in Flowtech Limited's articles of association. As this is contingent on a future uncertain event, which as at 31 December 2013 was not considered probable, £nil has been recognised in respect the 'B' and 'C' Ordinary shares in Flowtech Limited. The interest in the shares held by key management personnel has been disclosed in note 29.

23 Financial instruments

23 (a) Fair values of financial instruments

Fair values

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

23 (a) Fair values of financial instruments (continued)

	Carrying amount 2013 £000	Fair value 2013 £000	Level 2 2013 £000	Carrying amount 2012 £000	Fair value 2012 £000	Level 2 2012 £000	Carrying amount 2011 £000	Fair value 2011 £000	Level 2 2011 £000
Financial assets held for trading (including all derivatives) (note 13)									
Forward exchange contracts	-	-	-	29	29	29	3	3	3
Total financial assets at fair value through profit or loss	-	-	-	29	29	29	3	3	3
Loans and receivables									
Cash and cash equivalents (note 27)[1]	2,265			283			956		
Other loans and receivables (note 17)[1]	7,626			7,600			8,127		
Total financial assets not measured at fair value	9,891			7,883			9,083		
Financial assets	9,891			7,912			9,086		

[1]The Group has not disclosed the fair value for financial instruments such as short term trade receivables and cash and cash equivalents, because their carrying amounts are a reasonable approximation of fair values.

23 (a) Fair values of financial instruments (continued)

	Carrying amount 2013 £000	Fair value 2013 £000	Level 2 2013 £000	Carrying amount 2012 £000	Fair value 2012 £000	Level 2 2012 £000	Carrying amount 2011 £000	Fair value 2011 £000	Level 2 2011 £000
Financial liabilities held for trading (including all derivatives) (note 14)									
Forward exchange contracts	(32)	(32)	(32)	(8)	(8)	(8)	(8)	(8)	(8)
Interest rate swaps	-	-		(43)	(43)	(43)	(89)	(89)	(89)
Total financial liabilities at fair value through profit or loss	(32)	(32)	(32)	(51)	(51)	(51)	(97)	(97)	(97)
Financial liabilities measured at amortised cost									
Bank overdraft (note 27)[1]	-			(179)			-		
Other interest-bearing loans and borrowings (note 18)	(72,027)			(67,623)			(66,829)		
Trade payables (note 19)[1]	(3,013)			(3,158)			(4,067)		
Total financial liabilities measured at amortised cost	(75,040)			(70,960)			(70,896)		
Total financial liabilities	(75,072)			(71,011)			(70,993)		
Total financial instruments	(65,181)			(63,099)			(61,907)		

[1]The Group has not disclosed the fair value for financial instruments such as short term trade payables, because their carrying amounts are a reasonable approximation of fair values.

23 (a) Fair values of financial instruments (continued)

There have been no transfers in either direction during the years ended 31 December 2013, 31 December 2012 and 31 December 2011. At 31 December 2013, 31 December 2012 and 31 December 2011, the Group did not have any liabilities classified at level 3 of the fair value hierarchy.

Financial instruments measured at fair value	**Valuation technique**
Forward exchange contracts	Fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).
Interest rate swaps	The fair value of interest rate swaps is based on discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.
Financial instruments not measured at fair value	
Bank loans and other interest-bearing borrowings	Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

23 (b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which the customers operate. The Group has an established credit policy under which the credit status of each new customer is reviewed before credit is advanced. This includes external evaluations where possible. Credit limits are established for customers and outstanding balances are reviewed regularly by management.

The concentration of credit risk for trade receivables and other receivables at the balance sheet date by geographic region was:

	2013 *£000*	*2012* *£000*	*2011* *£000*
UK	6,567	6,585	6,911
Europe	1,033	992	1,187
Rest of the World	26	23	29
	7,626	7,600	8,127

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2013 £000	*Impairment 2013 £000*	*Gross 2012 £000*	*Impairment 2012 £000*	*Gross 2011 £000*	*Impairment 2011 £000*
Not past due	7,157	31	7,148	30	7,539	-
Past due 0-30 days	244	1	185	4	316	-
More than 30 days	237	156	249	133	278	115
	7,638	188	7,582	167	8,133	115

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The movement in the allowance for impairment in respect of trade receivables during each year was as follows:

	2013	*2012*	*2011*
	£000	*£000*	*£000*
Balance at 1 January	167	125	173
Provision utilised	(79)	(163)	(144)
Increase in provision	100	205	86
Balance at 31 December	188	167	115

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

23 (c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Management monitors and manages liquidity for the Group and ensures that the Group has sufficient headroom in its committed facilities to meet unforeseen or abnormal requirements. Available headroom is monitored via the use of detailed cash flow forecasts. Particular focus is given to management of working capital.

23 (c) Liquidity risk (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount 2013 £000	*Con-tractual cash flows 2013 £000*	*1 year or less 2013 £000*	*1 to <2years 2013 £000*	*2 to <5years 2013 £000*	*5 years and over 2013 £000*	*Carrying amount 2012 £000*	*Con-tractual cash flows 2012 £000*	*1 year or less 2012 £000*	*1 to <2years 2012 £000*	*2 to <5years 2012 £000*	*5 years and over 2012 £000*
Non-derivative financial liabilities												
Secured bank loan	9,375	10,053	4,034	197	5,822	-	11,399	13,285	5,524	7,761	-	-
Bank overdraft	-	-	-	-	-	-	179	179	179	-	-	-
Finance lease liabilities	24	29	14	15	-	-	42	50	20	30	-	-
Invoice discounting facility	4,730	4,730	4,730	-	-	-	3,812	3,812	3,812	-	-	-
Stock Loan	2,775	2,775	2,775	-	-	-	-	-	-	-	-	-
Trade and other payables	3,013	3,013	3,013	-	-	-	3,158	3,158	3,158	-	-	-
Shareholder Loan	55,123	64,295	-	64,295	-	-	52,370	64,295	-	-	64,295	-
Derivative financial liabilities												
Interest rate swaps	-	-	-	-	-	-	43	43	43	-	-	-
Other forward exchange contracts:												
Net payment	32	32	32	-	-	-	8	8	8	-	-	-
	75,072	84,927	14,598	64,507	5,822	-	71,010	84,830	12,744	7,791	64,295	-

23 (c) Liquidity risk (continued)

Liquidity risk for the year ended 31 December 2011

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £000	*Contract-ual cash flows £000*	*1 year or less £000*	*1 to <2years £000*	*2 to <5years £000*	*5years and over £000*
Non-derivative financial liabilities						
Secured bank loan	13,471	16,491	3,205	5,525	7,761	-
Finance lease liabilities	7	8	8	-	-	-
Invoice Discounting facility	5,075	5,075	5,075	-	-	-
Trade and other payables	4,067	4,067	4,067	-	-	-
Shareholder Loan	48,276	64,295	-	-	64,295	-
	70,896	89,936	12,355	5,525	72,056	-

23 (d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

While currently most of the Group's term bank debt is floating Libor linked, the Board reviews their option to fix the rates attached to this debt through the use of Interest rate swap derivatives.

The Group held interest rate swap derivatives in 2010 to fix the interest rate on its floating rate borrowings, which matured during the year ended 31 December 2013. The Group has not applied hedge accounting in respect of the interest rate swap derivatives.

Market risk – Foreign currency risk

The main currency related risk to the Group comes from forward purchasing of inventories and from its foreign operations. This risk is mainly managed by entering into forward currency contracts. The Group does not apply hedge accounting in respect of these forward currency contracts, the changes in fair value have been recognised in the profit or loss.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts

31 December 2013

	Sterling £000	*Euro £000*	*US Dollar £000*	*Total £000*
Cash and cash equivalents	1,521	744	-	2,265
Trade and other receivables	7,151	475	-	7,626
Secured bank loans	(9,375)	-	-	(9,375)
Stock loan facility	(2,775)	-	-	(2,775)
Invoice discounting facility	(4,730)	-	-	(4,730)
Finance lease liabilities	(24)	-	-	(24)
Shareholder loans	(55,123)	-	-	(55,123)
Trade payables	(2,549)	(439)	(25)	(3,013)
Forward exchange contracts	-	76	219	295
Balance sheet exposure	(65,904)	856	194	(64,854)

23 (d) Market risk (continued)

31 December 2012

	Sterling £000	Euro £000	US Dollar £000	Total £000
Cash and cash equivalents	223	14	46	283
Trade and other receivables	7,060	540	-	7,600
Bank overdraft	(179)	-	-	(179)
Secured bank loans	(11,399)	-	-	(11,399)
Invoice discounting facility	(3,812)	-	-	(3,812)
Finance lease liabilities	(42)	-	-	(42)
Shareholder loans	(52,370)	-	-	(52,370)
Trade payables	(2,304)	(512)	(342)	(3,158)
Forward exchange contracts	-	29	930	959
Balance sheet exposure	(62,823)	71	634	(62,118)

31 December 2011

	Sterling £000	Euro £000	US Dollar £000	Total £000
Cash and cash equivalents	802	154	-	956
Trade and other receivables	7,506	621	-	8,127
Secured bank loans	(13,471)	-	-	(13,471)
Invoice discounting facility	(5,075)	-	-	(5,075)
Finance lease liabilities	(7)	-	-	(7)
Shareholder loans	(48,276)	-	-	(48,276)
Trade payables	(3,341)	(726)	-	(4,067)
Forward exchange contracts	-	-	713	713
Balance sheet exposure	(61,862)	49	713	(61,100)

Sensitivity analysis

A 10 per cent. weakening of the following currencies against the pound sterling at 31 December 2013 would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

The analysis is performed on the same basis for the year ended 31 December 2012 and 31 December 2011.

	Profit or loss and Equity		
	2013 £'000	2012 £'000	2011 £'000
€	76	6	5
$	19	63	71

A 10 per cent. strengthening of the above currencies against the pound sterling at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

23 (d) Market risk (continued)

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2013 *£'000*	*2012* *£'000*	*2011* *£'000*
Fixed rate instruments			
Financial liabilities	55,147	52,412	48,283
	55,147	52,412	48,283
Variable rate instruments			
Financial liabilities (carrying value)	16,880	15,211	18,546
Interest rate swap derivatives (notional amount)	-	(8,329)	(8,329)
	16,880	6,882	10,217

The shareholder loans have been presented in the analysis above as fixed rate instruments. The loans have a nominal interest rate of Libor plus 4.5 per cent. but currently have a de minimus rate of 8 per cent.

Sensitivity analysis

A change of 100 basis points in interest rates at the balance sheet date would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for the year ended 31 December 2012 and 31 December 2011.

	2013 *£'000*	*2012* *£'000*	*2011* *£'000*
Equity			
Increase of 100 basis points	(17)	(7)	(10)
Decrease of 100 basis points	17	7	10
Profit or loss			
Increase of 100 basis points	(17)	(7)	(10)
Decrease of 100 basis points	17	7	10

23 (e) Capital management

The capital structure of the Group is presented in the balance sheet. The statement of changes in equity and note 18 provides details of loans and overdrafts. Short and medium-term funding requirements are provided by an invoice discounting facility and a variety of loans, with a range of maturities. Longer term funding is sourced from a combination of these facilities and shareholder loans.

The Group is subject to covenants in respect of its bank loans and facilities. The Group remains compliant. There were no changes in the Group's approach to capital management during each year.

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2013 *£'000*	*2012* *£'000*	*2011* *£'000*
Less than one year	561	654	681
Between one and five years	1,688	1,753	1,968
More than five years	211	560	933
	2,460	2,967	3,582

The Group acts as a lessee for land and buildings, plant and machinery and motor vehicles, under operating leases. The Group's significant lease arrangements are for properties, for which there are no significant lease incentives. As at 31 December 2013, the property lease periods range from less than one year to 7 years. The disclosures above for non-cancellable operating lease rentals has been split out below to show the split between land and buildings and other assets which include motor vehicles.

	Land & Buildings *£000*	*Other* *£000*	*Land & Buildings* *£000*	*Other* *£000*
Less than one year	432	128	529	127
Between one and five years	1,541	148	1,595	156
More than five years	211	-	560	-
	2,184	276	2,684	283

During the year £679,000 was recognised as an expense in the income statement in respect of operating leases (*2012: £706,000, 2011: £606,000*).

25 Capital commitments

During the year ended 31 December 2011, the Group entered into a contract to purchase property, plant and equipment for £62,350. These commitments were settled in the following financial year. There were no other capital commitments during the period.

26 Subsequent events

Subsequent to the balance sheet date, on 4 April 2014, the Company sold its shares in the subsidiary undertaking, Industrial Product & Supplies Limited.

27 Cash and cash equivalents/ bank overdrafts

	2013 *£'000*	*2012* *£'000*	*2011* *£'000*
Cash and cash equivalents per balance sheet	2,265	283	956
Bank overdrafts	-	(179)	-
Cash and cash equivalents per cash flow statement	2,265	104	956

28 Significant judgements, key assumptions and estimates

Application of certain Group accounting policies requires management to make judgements, assumptions and estimates concerning the future as detailed below:

Impairment of goodwill

The carrying value of goodwill must be assessed for impairment annually. This requires an estimation of the value in use of the cash generating units to which goodwill is allocated. Value in use is dependent on estimations of future cash flows from the cash generating unit and the use of an appropriate discount rate to discount those cash flows to their present value. The carrying value of goodwill as at 31 December 2013 is £42,524,000 (2012: £42,684,000, 2011: £42,684,000). Refer to note 11 for further detail.

Provision for impairment of inventories

The financial information includes a provision for impairment of inventories that is based on management's estimation of recoverability. There is a risk that the provision will not match the inventories that ultimately prove to be impaired. The carrying value of inventories as at 31 December 2013 is £9,804,000 (2012: £9,197,000, 2011: £9,811,000) and included a provision against the inventories of £1,132,000 (2012: £1,044,000, 2011: £763,000).

29 Related party transactions

The Company's parent undertaking is Barrington House Nominees Limited. The ultimate parent undertaking of the Group is Gresham LLP, a limited liability partnership incorporated in England.

Included in interest-bearing loans and borrowings, are loans payable to the shareholders of £55,123,000 (2012: £52,370,000, 2011: £48,276,000). Included in the amounts payable to shareholders is capitalised interest, of which £4,252,376 (2012: £3,999,286, 2011: £3,780,934) has been charged to the profit or loss in the year ended 31 December 2013. During the year ended 31 December 2013, £1,499,000 was repaid by the Group. During the year ended 31 December 2013, £105,000 (2012: £109,000, 2011: £72,000) has been charged to the profit or loss in respect of management fees paid to Gresham LLP.

Key management personnel comprise the executive directors and the chairman of the Company. The key management compensation is set out in note 7. Two directors of the Company own the 560 issued 'B' Ordinary shares and 560 issued 'C' Ordinary shares in the Group's subsidiary undertaking, Flowtech Limited.

30 Explanation of transition to Adopted IFRSs

As stated in note 2, these are the Group's first consolidated financial information prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 2 have been applied in preparing the financial information for the year ended 31 December 2013, the comparative information presented in the financial information for the year ended 31 December 2012 and 31 December 2011 and in the preparation of an opening IFRS balance sheet at 1 January 2011 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	Note	1 January 2011 UK GAAP £000	1 January 2011 Effect of transition to Adopted IFRSs £000	1 January 2011 Adopted IFRSs £000	31 December 2013 UK GAAP £000	31 December 2013 Effect of transition to Adopted IFRSs £000	31 December 2013 Adopted IFRSs £000
Non-current assets							
Property, plant and equipment		1,704	-	1,704	1,729	-	1,729
Intangible assets		45,641	(221)	45,420	42,524	-	42,524
Investments in associates	A	20	221	241	-	-	-
		47,365	-	47,365	44,253	-	44,253
Current assets							
Inventories		7,898	-	7,898	9,804	-	9,804
Tax receivable		139	-	139	-	-	-
Trade and other receivables		7,827	-	7,827	7,626	-	7,626
Cash and cash equivalents		1,006	-	1,006	2,265	-	2,265
Prepayments		306	-	306	195	-	195
		17,176	-	17,176	19,890	-	19,890
Total assets		64,541	-	64,541	64,143	-	64,143
Current liabilities							
Bank overdraft		128	-	128	-		
Other interest-bearing loans and borrowings	B	5,634	-	5,634	11,209	58	11,267
Trade and other payables		4,694	-	4,694	4,555	-	4,555
Tax payable		402	-	402	492	-	492
Provisions	E	-	-	-	-	67	67
Other financial liabilities	C	-	-	-	-	32	32
		10,858	-	10,858	16,256	157	16,413
Non-current liabilities							
Other interest-bearing loans and borrowings	B	57,865	-	57,865	60,672	88	60,760
Provisions	E	234	-	234	171	(67)	104
Deferred tax liabilities	B	149	-	149	92	(38)	54
		58,248	-	58,248	60,935	(17)	60,918
Total liabilities		69,106	-	69,106	77,191	140	77,331
Net liabilities		(4,565)	-	(4,565)	(13,048)	(140)	(13,188)
Equity attributable to equity holders of the parent							
Share capital		96	-	96	96	-	96
Share premium		247	-	247	247	-	247
Currency translation reserve	D	-	-	-	-	(37)	(37)
Retained earnings	B,C,D	(4,908)	-	(4,908)	(13,391)	(103)	(13,494)
Total equity		(4,565)	-	(4,565)	(13,048)	(140)	(13,188)

Notes to the reconciliation of equity

A Reclassification of goodwill in respect of the equity investment in Merchantz Limited to investment in associates.

B During the year ended 31 December 2013, the Group refinanced its banking facilities. Under UK GAAP the arrangement fees were capitalised in accordance with FRS 4. However, on adoption of IFRSs, the modification of the terms represents a substantial modification of the terms of the debt and consequently the arrangement fees have been expensed to the profit or loss. There is also an increase in the deferred tax asset amount in respect of this.

C The Group holds forward exchange contract which have been recorded at fair value and disclosed as a derivative financial liability.

D On transition to Adopted IFRSs, the Group has taken the exemption to only recognise foreign exchange gains and losses on the retranslation of foreign operations as a separate translation reserve from the date of transition. The foreign exchange gains and losses have been presented within the separate currency 'Translation reserve' from 1 January 2011.

E The current and non-current proportion of the provision has been presented separately on the transition to Adopted IFRSs.

Explanation of material adjustments to the cash flow statement for year ended 31 December 2013

There are no other material differences between the cash flow statement presented under Adopted IFRSs and the cash flow statement presented under UK GAAP.

Reconciliation of loss for year ended 31 December 2013

	Note	*UK GAAP £000*	*2013 Effect of transition to Adopted IFRSs £000*	*Adopted IFRSs £000*
Revenue		34,272	-	34,272
Cost of sales		(22,863)	6	(22,857)
Gross profit		11,409	6	11,415
Distribution expenses		(1,823)	-	(1,823)
Administrative expenses	B, F	(5,381)	63	(5,318)
Operating profit before net financing costs		4,205	69	4,274
Financial income		-	-	-
Financial expenses	B	(5,236)	39	(5,197)
Net financing expense		(5,236)	108	(5,197)
Loss before tax		(1,031)	108	(923)
Taxation	B	(914)	38	(876)
Loss for the year		(1,945)	146	(1,799)
Attributable to:				
Equity holders of the parent		(1,945)	146	(1,799)
Non-controlling interest		-	-	-
Loss for the year		(1,945)	146	(1,799)

Notes to the reconciliation of loss

F Goodwill of £381,000 was recognised in respect of the acquisition of Merchantz in 2011 in the UK GAAP financial statements. However, on transition to Adopted IFRS the goodwill recognised in respect of the Merchantz Limited step acquisition is lower at £160,000. The adjustment in 2013 is to reduce the impairment loss in respect of the goodwill.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

Set out below is an unaudited pro forma statement of net assets for the Group as at 31 December 2013. It has been prepared by the Directors on the basis set out in the notes below to illustrate the effect of Admission and the Placing described in paragraph 10 of Part I, as if they had occurred at 31 December 2013.

It has been prepared for illustrative purposes only. Because of its nature, the pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It is based on the audited consolidated net assets of Flowtech Holdings Limited as at 31 December 2013 as shown in section B of Part III of this Document.

Shareholders should read the whole of this Document and not rely solely on the summarised financial information contained in this Part IV.

		Operating Group as at 31 December 2013 £000	*Placing £000*	*Settlement of debt £000*	*Pro Forma as at 31 December 2013 £000*
	Note	1	2	3	4
Assets					
Non-current assets					
Property, plant and equipment		1,729	-	-	1,729
Intangible assets		42,524	-	-	42,524
Total Non Current Assets		44,253	-	-	44,253
Current assets					
Inventories		9,804	-	-	9,804
Trade and other receivables		7,626	-	-	7,626
Prepayments		195	-	-	195
Current tax assets		-	-	-	-
Other financial assets		-	-	-	-
Cash and cash equivalents		2,265	42,301	(42,301)	2,265
Total Current Assets		19,890	42,301	(42,301)	19,890
Total assets		64,143	42,301	(42,301)	64,143
Current Liabilities					
Other interest-bearing loans and borrowings		11,267	429	(8,875)	2,821
Trade and other payables		4,555	-	-	4,555
Tax payable		492	-	-	492
Provision		67	-	-	67
Other financial liabilities		32	-	-	32
Total Current Liabilities		16,413	429	(8,875)	7,967
Non-current liabilities					
Other interest-bearing loans and borrowings		60,760	6,571	(60,748)	6,583
Provisions		104	-	-	104
Deferred tax liabilities		54	-	-	54
Total non-current liabilities		60,918	6,571	(60,748)	6,741
Total liabilities		77,331	7,000	(69,623)	14,708
Net (liabilities)/Assets		(13,188)	35,301	27,322	49,435

Notes

1. The Company, Flowtech Fluidpower Limited ("the Company") was incorporated on 24 April 2014. On 7 May 2014 the Company was re-registered as a public limited company with the name Flowtech Fluidpower plc. On incorporation, the issued share capital was divided into two ordinary shares of £1 each. On 6 May 2014, 49,998 ordinary shares of £1 each in the Capital of the Company were issued to Barrington House Nominees Limited in consideration for the transfer of the entire issued share capital of Flowtech Holdings Limited by Barrington House Nominees Limited to the Company. The 50,000 ordinary share capital of £1 each in the capital of the Company were subdivided into 2 Ordinary Shares.

   The insertion of the new holding company constitutes a group reorganisation and will be accounted for using merger accounting principles. The Group reorganisation will not be effective until completion of the Placing and Admission and consolidated financial statements of Flowtech Fluidpower Plc will be presented as if Flowtech Fluidpower Plc and Flowtech Holdings Limited had always been part of the same Group.

   The financial information has been extracted, without material adjustment, from the historical information of Flowtech Holdings Limited for the year ended 31 December 2013 as set out in Section B of Part III of this document.

2. The net cash receipts of £42.3 million include payment of a bonus for a director, proceeds from new senior debt facility of £7 million and net Placing receipts of £35.3 million, which are net of estimated admission expenses of £3.3 million. The net Placing receipts of £35.3 million are conditional on Admission.

3. The net Placing receipts from the Admission will be used to repay £42.3 million of debt including the invoice discounting facility and stock loan facility, the senior debt facility and shareholder debt including withholding tax.

   On 7 May 2014, 1 ordinary share of £0.50 in the capital of the Company was issued to Barrington House Nominees Limited in consideration of the capitalisation of debt of £27.3 million owed by the Company to Barrington House Nominees Limited (based on 31 December 2013 balance sheet). The remainder of the adjustment to non-current interest bearing borrowings relates to the conversion of the debt to equity.

4. This column represents the sum of the preceding columns and represents the pro forma net assets of the Group as at 31 December 2013 assuming the Group Reorganisation, Admission and the Placing had occurred on that date.

   The unaudited pro forma statement of net assets does not constitute statutory accounts within the meaning of section 434 of the Companies Act, and no adjustment has been made to take account of trading, expenditure or other movements subsequent to 31 December 2013, being the date of the latest published consolidated balance sheet for the previous parent undertaking, Flowtech Holdings Limited.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

1.1 The Directors, whose names appear on page 8 of this Document, and the Company accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors and the Company (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. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.

1.2 Grant Thornton UK LLP of 4 Hardman Square, Manchester M3 3EB accepts responsibility for its report contained in Section A of Part III of this Document. To the best of the knowledge and belief of Grant Thornton UK LLP (who have taken all reasonable care to ensure that such is the case) the information contained in that report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

2.1 The Company was incorporated and registered in England and Wales with registered number 9010518 on 24 April 2014 as a private company limited by shares under the name Flowtech Fluidpower Limited. On 7 May 2014, the Company was re registered as a public limited company with the name Flowtech Fluidpower plc.

2.2 The principal legislation under which the Company operates is the Act and regulations made under the Act. The liability of the Company's members is limited.

2.3 The Company is domiciled in the United Kingdom. The registered office and principal place of business of the Company is at Pimbo Road, Skelmsersdale, Lancashire WN8 9RB (telephone number 01695 52759).

3. SUBSIDIARIES

The Company is the holding company of the Group. The following table contains details of the Company’s principal subsidiaries:

Company name	*Principal activity*	*Country of incorporation*	*Percentage ownership*
Flowtech Limited	Sale of fluid power products in the UK	England	100%*
Flowtechnology Benelux BV	Sale of fluid power products in Europe	Netherlands	100%

4. SHARE CAPITAL

4.1 Set out below are details of the issued share capital of the Company (i) as at the date of this Document and (ii) as it will be immediately following the Placing and Admission:

	Present		*Immediately following Admission*	
	Number	*Nominal value (£)*	*Number*	*Nominal value (£)*
Issued Ordinary Shares	100,001	50,000.50	40,000,000	20,000,000

4.2 On incorporation, the issued share capital was £2 divided into two ordinary shares of £1 each.

*Flowtech Limited will be a 100 per cent. subsidiary from Admission on acquisition of shares from certain Directors as summarised in paragraph 7.4 of this Part V.

4.3 The following changes to the issued share capital of the Company have taken place since incorporation:

4.3.1 on 6 May 2014, 49,998 ordinary shares of £1 each in the capital of the Company were issued to Barrington House Nominees Limited in consideration for the transfer of the entire issued share capital of Flowtech Holdings Limited by Barrington House Nominees Limited to the Company.

4.3.2 by special resolutions passed on 6 May 2014, each of the 50,000 ordinary shares of £1 each in the capital of the Company were subdivided into 2 Ordinary Shares, having the rights attaching thereto as set out in the Articles.

4.3.3 on 8 May 2014, 1 Ordinary Share was issued to Barrington House Nominees Limited in consideration of the capitalisation of loan note debt of £27.3 million owed by the Company to Barrington House Nominees Limited.

4.4 The Placing Shares will be issued in accordance with resolutions of the Company passed on 6 May 2014, which:

4.4.1 generally and unconditionally authorised the directors in accordance with section 551 of the Act to allot shares in the Company up to an aggregate nominal amount of £27,216,666.66, such authority to expire on 1 August 2015 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2015; and

4.4.2 empowered the directors pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority referred to in paragraph 4.4.1 above in respect of (i) the allotment of up to 39,899,999 Ordinary Shares in connection with the Placing; (ii) the allotment of up to 1,200,000 Ordinary Shares pursuant to the Warrant Agreement; (iii) issues by way of rights to Shareholders; and (iv) otherwise up to an aggregate nominal amount of £2,000,000 in the period ending on 1 August 2015 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2015.

4.5 The provisions of section 561 of the Act confer on Shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be, paid up in cash (other than by way of allotments to employees under any employee share scheme as defined in section 1166 of the Act). Subject to certain limited exceptions, unless the approval of Shareholders is obtained in a general meeting of the Company, the Company must normally offer Ordinary Shares to be issued for cash to existing Shareholders on a pro rata basis.

4.6 By a resolution of the Board passed on 8 May 2014, it was resolved conditionally upon (but effective immediately prior to) Admission taking place prior to 30 May 2014, to allot the Placing Shares for cash at the Placing Price.

4.7 On Admission, the Company intends to grant options over 2,597,219 Ordinary Shares under the EMI Plan, on the terms described in paragraph 6 of this Part V.

4.8 With effect from Admission, the Company will have granted Zeus Capital the right to subscribe for up to 1,200,000 Ordinary Shares at the Placing Price pursuant to the Warrant Agreement, further details of which are set out at paragraph 15.3 of this Part V.

4.9 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK & Ireland Limited and the Company's registrar, Capita Registrars Limited (details of whom are set out on page 8).

4.10 It is anticipated that, where appropriate, share certificates will be despatched by first class post by 4 June 2014. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register.

4.11 The International Security Identification Number ("ISIN") of the Ordinary Shares is GB00BM4NR742 and the Stock Exchange Daily Official List ("SEDOL") number is BM4NR74.

4.12 The legislation under which the Placing Shares will be issued is the Act and regulations made under the Act.

4.13 The Ordinary Shares are denominated in Sterling.

4.14 Following the Placing and Admission (assuming all the Placing Shares are allotted pursuant to the Placing), the Existing Ordinary Shares will represent 99.75 per cent of the Enlarged Ordinary Share Capital.

4.15 Save as disclosed in this paragraph 4, as at the date of this Document:

4.15.1 the Company did not hold any treasury shares and no Ordinary Shares were held by, or on behalf of, any member of the Group;

4.15.2 no shares have been issued otherwise than as fully paid;

4.15.3 the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;

4.15.4 the Company has given no undertaking to increase its share capital; and

4.15.5 no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

5. ARTICLES OF ASSOCIATION

Articles of association

The Articles include provisions to the following effect:

5.1 *Objects*

Section 31 of the Act provides that the objects of a company are unrestricted unless any restrictions are set out in the Articles. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

5.2 *Voting rights*

5.2.1 Subject to any rights or restrictions attached to any shares, on a show of hands:

5.2.1.1 every Shareholder who is present in person has one vote;

5.2.1.2 every proxy present who has be duly appointed by one or more Shareholders entitled to vote on the resolution(s) has one vote; and

5.2.1.3 a proxy has one vote for and one vote against the resolution(s) if he has been duly appointed by more than one Shareholder and either (i) is instructed by one or more of those Shareholders to vote for the resolution and by one or more others to vote against it; or (ii) is instructed by one or more of those Shareholders to vote in one way and is given a discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).

5.2.2 Subject to any rights or restrictions attached to any shares, on a poll every Shareholder present in person or by proxy shall have one vote for every share of which he is the holder.

5.2.3 Where there are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders. Seniority is determined by the order in which the names of the holders stand in the register.

5.2.4 Unless the Board otherwise determines, a Shareholder shall not be entitled to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

5.3 *Dividends*

5.3.1 Subject to the Act and the Articles, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. Subject to the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution.

5.3.2 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid.

5.3.3 Dividends may be declared or paid in whatever currency the Board decide. Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.

5.3.4 All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

5.3.5 The Board may, with the authority of an ordinary resolution of the Company:

5.3.5.1 offer holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution;

5.3.5.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.

5.3.6 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

5.4 *Pre emption rights*

In certain circumstances, Shareholders may have statutory pre emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre emption rights would be set out in the documentation by which such shares would be offered to Shareholders.

5.5 *Distribution of assets on a winding-up*

On a winding-up, the liquidator may, with the authority of a special resolution of the Company and any other sanction required by law, divide among the Shareholders in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of Shareholders as he may determine. The liquidator shall not, however (except with the consent of the Shareholder concerned) distribute to a Shareholder any asset to which there is attached a liability or potential liability for the owner.

5.6 *Transfer of shares*

5.6.1 Every transfer of shares which is in certificated form must be in writing in any usual form or in any form approved by the Board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

5.6.2 Every transfer of shares which is in uncertificated form must be made by means of a relevant system (such as CREST).

5.6.3 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (a) it is in respect of a share which is not fully paid up (provided that the refusal does not prevent dealings in the Company's shares from taking place on an open and proper basis); (b) it is in respect of more than one class of share; (c) it is not duly stamped (if so required); or (d) it is not delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

5.6.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (a) a child, bankrupt or person of unsound mind; or (b) more than four joint transferees.

5.7 *Suspension of rights*

If a Shareholder or any person appearing to be interested in shares held by such a Shareholder has been duly served with a notice under section 793 of the Act and has failed in relation to any shares ("**default shares**") to give the Company the information thereby required within 14 days from the date of the notice, then, unless the Board otherwise determines, the Shareholder shall not be entitled to vote or exercise any right conferred by membership in relation to meetings of the Company in respect of such default shares. Where the holding represents more than 0.25 per cent of the issued shares of that class (excluding any shares of that class held as treasury shares), the payment of dividends may be withheld and such Shareholder shall not be entitled to transfer such shares other than by arm's length sale or unless the Shareholder himself is not in default and the Shareholder proves to the satisfaction of the Board that no person in default is interested in the shares the subject of the transfer.

5.8 *Untraced Shareholders*

The Company is entitled to sell any share of a Shareholder who is untraceable, provided that:

5.8.1 for a period of not less than 12 years (during which at least three cash dividends have been payable on the share), no cheque, warrant or money order sent to the Shareholder has been cashed or all funds sent electronically have been returned;

5.8.2 at the end of such 12 year period, the Company has advertised in a national and local (ie the area in which the Shareholder's registered address is situated) newspaper its intention to sell such share; and

5.8.3 the Company has not, during such 12 year period or in the three month period following the last of such advertisements, received any communication in respect of such share from the Shareholder.

The Company shall be indebted to the former Shareholder for an amount equal to the net proceeds of any such sale.

5.9 *Variation of class rights*

5.9.1 Subject to the Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting (other than an adjourned meeting) is two persons holding or representing by proxy at least one third in nominal amount of the issued shares of the class in question.

5.9.2 The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

5.10 *Share capital, changes in capital and purchase of own shares*

5.10.1 Subject to the Act and to the Articles, the power of the Company to allot and issue shares shall be exercised by the Board at such times and on such terms and conditions as the Board may determine.

5.10.2 Subject to the Articles and to any rights attached to any existing shares any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.

5.10.3 The Company may issue redeemable shares and the Board may determine the terms, conditions and manner of redemption of such shares, provided it does so before the shares are allotted.

5.11 *General meetings*

5.11.1 The Board may convene a general meeting whenever it thinks fit. Shareholders have a statutory right to requisition a general meeting in certain circumstances.

5.11.2 Pursuant to the Act, an annual general meeting shall be called on not less than 21 clear days' notice. All other general meetings shall be called by not less than 14 clear days' notice.

5.11.3 The quorum for a general meeting is two Shareholders present in person or by proxy and entitled to vote.

5.11.4 The Board and, at any general meeting, the chairman of the meeting may make any arrangement and impose any requirement or restriction which it or he considers appropriate to ensure the security or orderly conduct of the meeting. This may include requirements for evidence of identity to be produced by those attending, the searching of their personal property and the restriction of items which may be taken into the meeting place.

5.12 *Appointment of directors*

5.12.1 Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not exceed 12 but shall not be less than two.

5.12.2 Subject to the Act and the Articles, the Company may by ordinary resolution appoint any person who is willing to act as a director either as an additional director or to fill a vacancy. The Board may also appoint any person who is willing to act as a director, subject to the Act and the Articles. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is re-elected during such meeting.

5.12.3 The Board may appoint any director to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company.

5.13 *Remuneration of directors*

5.13.1 The total of the fees paid to the non-executive directors for their services must not exceed £300,000 a year, unless otherwise determined by ordinary resolution. This amount shall be automatically increased each year by the same amount as the increase in the General Index of

Retail Prices. The Board may decide to pay additional remuneration to a non-executive director for services which the Board determines are outside the scope of the ordinary duties of a director, whether by way of additional fees, salary, percentage of profits or otherwise.

5.13.2 The salary or remuneration of executive directors shall be determined by the Board and may be either a fixed sum of money or may altogether or in part by governed by business done or profits made or otherwise determined by the Board.

5.13.3 Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director.

5.14 *Retirement and removal of directors*

5.14.1 At each annual general meeting of the Company, one-third of the directors (or the number nearest to but not exceeding one-third if the number of directors is not a multiple of three) shall retire from office. In addition, any director who has been a director at each of the preceding two annual general meetings shall also retire. Each such director may, if eligible, offer himself for re-election. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and lost.

5.14.2 Without prejudice to the provisions of the Act, the Company may by ordinary resolution remove any director before the expiration of his period of office and may appoint by ordinary resolution appoint another director in his place.

5.15 *Directors' interests*

5.15.1 Subject to the Act and provided that he has disclosed to the directors the nature and extent of any interest, a director is able to enter into contracts or other arrangements with the Company, hold any other office (except auditor) with the Company or be a director, employee or otherwise interested in any company in which the Company is interested. Such a director shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement or proposal.

5.15.2 Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is to his knowledge materially interested, directly or indirectly. Interests of which the director is not aware, interests which cannot reasonably be regarded as likely to give rise to a conflict of interest and interests arising purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. However, a director can vote and be counted in the quorum where the resolution relates to any of the following:

5.15.2.1 the giving of any guarantee, security or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

5.15.2.2 the participation of the director, in an offer of securities of the Company or any of its subsidiary undertakings, including participation in the underwriting or sub-underwriting of the offer;

5.15.2.3 a proposal involving another company in which he and any persons connected with him has a direct or indirect interest of any kind, unless he and any persons connected with him hold an interest in shares representing one per cent or more of either any class of equity share capital, or the voting rights, in such company;

5.15.2.4 any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

5.15.2.5 any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit; and

5.15.2.6 any proposal concerning indemnities in favour of directors or the funding of expenditure by one or more directors on defending proceedings against such director(s).

5.15.3 A director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

5.15.4 The Board may authorise any matter that would otherwise involve a director breaching his duty under the Act to avoid conflicts of interest, provided that the interested director(s) do not vote or count in the quorum in relation to any resolution authorising the matter. The Board may authorise the relevant matter on such terms as it may determine including:

5.15.4.1 whether the interested director(s) may vote or be counted in the quorum in relation to any resolution relating to the relevant matter;

5.15.4.2 the exclusion of the interested director(s) from all information and discussion by the Company of the relevant matter; and

5.15.4.3 the imposition of confidentiality obligations on the interested director(s).

An interested director must act in accordance with any terms determined by the Board. An authorisation of a relevant matter may also provide that where the interested director obtains information that is confidential to a third party (other than through his position as director) he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs, if to do so would amount to a breach of that confidence.

5.16 *Powers of the directors*

5.16.1 The business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not.

5.16.2 Subject to the provisions of the Act, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and, insofar as it is able, of its subsidiary undertakings, so as to procure that the aggregate principal amount outstanding in respect of borrowings by the Group shall not, without an ordinary resolution of the Company, exceed a sum equal to three times the aggregate of the amount paid up or credited as paid up on the Company's issued share capital and the total amount standing to the credit of the capital and revenue reserves of the Group as shown in the latest audited balance sheet of the Group, after such adjustments and deductions as are specified in the Articles.

5.16.3 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

5.17 *Directors' indemnity and insurance*

5.17.1 Subject to the Act, each director of the Company and of any associated company may be indemnified against any liability.

5.17.2 Subject to the Act, the Board may purchase and maintain insurance against any liability for any director of the Company or of any associated company.

6. SHARE PLANS

6.1 *MIP*

On Admission, the three executive directors of the Company ("Participants") will subscribe for A Ordinary Shares ("A Shares") and B Ordinary Shares ("B Shares") in Flowtech MIP. Subject to a number of provisions described below, the A Shares can in future be sold to the Company pursuant to the provisions of the articles of association of Flowtech MIP for an aggregate value equivalent to 10 per cent. of the increase in Shareholder value ("Relevant Percentage") over a £1.30 per share value hurdle ("Hurdle"). The increase in Shareholder value is broadly measured as the growth in share price over the Hurdle. The Hurdle will be set at a premium of 30 per cent. to the Placing Price. The A Shares are not entitled to receive dividends. The B Shares have a very limited dividend right.

Management have the right to sell their A Shares to the Company (and the date on which they exercise this right is referred to as the "Exercise Date"). The A Shares may, however, only be sold by management to the Company at the end of a period (referred to as the "Vesting Period") once the Holding Condition, as described below, has been satisfied.

The Company may purchase the A Shares for cash or by way of the issue, or transfer from an employee benefits trust, of Ordinary Shares at its discretion.

If the A Shares have not been purchased by the Company by a specified long stop date, the Company has the ability to redesignate the A Shares into deferred shares in Flowtech MIP which have no value. The B Shares would be designated at the same time.

The value of the A Shares at the Exercise Date will be the Relevant Percentage of the amount by which the price of an Ordinary Share exceeds the hurdle multiplied by the number of Ordinary Shares in issue on Admission.

A Shares will be non-voting. The B Shares will entitle each holder to exercise 5 per cent. of the voting rights in Flowtech MIP but will not carry any rights to proceeds on a return of capital or on a sale above their nominal value.

6.1.1 Holding Condition

Participants will ordinarily only be able to exercise the put rights attaching to their A Shares after publication of the financial results of the Group for the year ended 31 December 2016.

6.1.2 Vesting Period

During the Vesting Period, if a Participant ceases to be a director or employee of a member of the Group other than in certain "Good Leaver" circumstances, Participants can be required to transfer their A Shares at the lower of fair value and their cost of acquiring the A Shares. A Good Leaver is someone who ceases employment as a result of: death, ill health, injury or disability evidenced to the satisfaction of the Board with Company Consent; retirement at the normal retirement age in accordance with the Group's internal policies; or any other reason the Board (acting with Company Consent) permits. If the Participant is determined to cease employment in any of these "Good Leaver" circumstances, they must transfer their A Shares to the Company at their fair value at the time of cessation of employment. On a leaver event, the B Shares may also be required to be transferred but this transfer will always be at cost.

6.1.3 Corporate events

A Shareholders would be permitted to sell their A Shares on a third party obtaining control of Flowtech MIP or the Company and they would be entitled to receive value for their A Shares on an asset sale, Flowtech MIP passing a resolution to voluntarily wind up the company or an order being made for a compulsory wind up.

A Shareholders may also sell their A Shares to the Company on a third party obtaining control of the Company.

B Shareholders would also be entitled to sell their B Shares, but would only receive an amount equal to the nominal value of their shares.

6.1.4 Adjustments

The Flowtech MIP Board, acting with Company Consent, has the absolute discretion to rebase or adjust the Hurdle, the Relevant Percentage, and/or the definition of fair value on the occurrence of adjustment events (including any acquisition or disposal by or out of the Group of any company, a special dividend, business or assets or new financing or refinancing arrangements) provided that the adjustment is made on a just and reasonable basis and with a view to ensuring that the A Shares are not disadvantaged or benefited by the adjustment.

6.1.5 Awards not pensionable

No awards or benefits under the MIP are pensionable.

6.2 *EMI Plan*

Prior to Admission, the Company will adopt the EMI Plan. Options will be granted under the EMI Plan.

The main features of the EMI Plan are as follows:

6.2.1 Operation

The Remuneration Committee will supervise the operation of the EMI Plan. Under the EMI Plan, selected employees will be granted options over Ordinary Shares. The initial options will be granted on Admission and it is anticipated that the exercise price payable on exercise of such options will be set at a price equal to market value at the date of grant. No performance conditions will attach to these initial option grants.

No tax charges should arise on the grant of the options. On exercise of the EMI Options, no PAYE and NIC charges should arise and the employee will instead be subject to capital gains tax on disposal of the shares.

6.2.2 Eligibility

The rules of the EMI Plan state that any executive director or employee of a Group company who meets the Working Time Requirement and does not hold a material interest for the purposes of paras 28 to 33 of Schedule 5 to ITEPA 2003 may participate in the EMI Plan.

6.2.3 Grant of Options

EMI options may be granted within a period of 42 days commencing on the date on which the EMI Plans is adopted. Otherwise, options may usually only be granted within a period of 42 days commencing on the dealing day after the Company announces its results for any period (unless there is a dealing restriction, in which case options may be granted within 42 days of the lifting of such dealing restriction, or on the occurrence of exceptional circumstances).

Participants will not have to make a payment for the grant of an option. The exercise price payable shall not be less than the market value of a share (as agreed with HMRC Shares Valuation ("SAV") division). The methodology for determining the market value of a share will be agreed with SAV so that the Company may issue options in future without further agreement from SAV being required.

6.2.4 Plan Limits

Shares issued to satisfy Options under the Option Plans may not exceed 7.5 per cent. of the total share capital of the Company. This limit does not apply to any shares issued pursuant to the MIP.

6.2.5 Exercise of Options

The options that are granted under the EMI Plan at Admission will become exercisable following the publication of the financial results of the Group for the year ended December 2016. Ordinarily the options will lapse on the tenth anniversary of the grant date but may lapse earlier in certain circumstances. If a participant dies, his options may be exercised in full by his personal representatives within one year of his death. To the extent not exercised during this period, the options will lapse. If a participant ceases to be employed by the Company by reason of injury, ill-health, disability, redundancy, retirement, the sale of the Company or business in which the participant works or any other reason as determined by the Remuneration Committee, options can be exercised in full within 90 days of the date of cessation of employment provided that the options have not already lapsed in accordance with the rules. If a participant ceases employment for any other reason, the options will generally lapse on the date of cessation of employment. Options may also be exercised immediately prior to the event of a change of control of the Company or on the passing of a resolution for the voluntary winding-up of the Company.

6.2.6 Adjustment of Options

If there is a variation of the share capital of the Company (including a capitalisation or rights issue, sub-division, rights issue, consolidation or reduction of share capital), the Remuneration Committee may make such adjustments as it considers appropriate to the exercise price or number of shares under option.

6.2.7 Amendments

The Remuneration Committee may at any time amend the EMI Plan rules, in any respect, provided that prior Shareholder approval is obtained for any amendment that is to the advantage of participants in respect of the provisions relating to eligibility, the plan dilution limits, the terms and rights of the options and the adjustment of options in the event of a variation of the share capital. However, Shareholder approval is not required for minor amendments to benefit the administration of the EMI Plan, to take account of a change or proposed change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or for any Company in the Company's Group. No amendments may operate to adversely affect any rights acquired by a participant without their prior consent.

6.2.8 Termination of the EMI Plan

The EMI Plan will terminate on the tenth anniversary of the date of adoption of the EMI Plan or on any earlier date on which the Remuneration Committee determines that the plan should be terminated. The termination of the EMI Plan will not affect any existing grants of options made under the EMI Plan.

6.2.9 Awards not pensionable

No awards or benefits under the EMI Plan is pensionable.

6.3 *Unapproved Plan*

The Unapproved Plan will be adopted as a schedule to the EMI Plan and the provisions of both plans will be broadly the same, the key difference being that options may be granted under the Unapproved Plan in excess of the EMI Limit and to employees who do not meet the EMI conditions.

The EMI Plan and the Unapproved Plan shall together be referred to as the "Option Plans".

The main features of the Unapproved Plan, to the extent that they differ from the EMI Plan, are as follows:

6.3.1 Operation

On exercise of the unapproved options, a PAYE and NIC charge will arise on the difference between the exercise price and the market value of the shares at the date of exercise.

6.3.2 Eligibility

Under the Unapproved Plan, it is not necessary to meet the Working Time Requirement and material interest tests.

Copies of the rules of the EMI Plan and Unapproved Plan will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company for a period of one month from the date of this Document.

NON-UK EMPLOYEES

It is proposed that Dutch resident employees will be granted options under the Unapproved Plan on Admission. No Dutch tax charges should arise on the grant of the options. On exercise of the unapproved options, Dutch income tax and social security charges (employee and employer's social security) will arise on the difference between the exercise price and the market value of the shares at the date of exercise.

Incentives may be extended to employees in other jurisdictions in the future.

7. DIRECTORS' AND OTHER INTERESTS

7.1 As at the date of this Document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director, are as follows:

	Before Admission		*Following Admission*	
Director	*Number of Existing Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Ordinary Share Capital*
Malcolm Diamond MBE	–	–	25,000	0.06
Sean Fennon	–	–	189,000	0.47
Bryce Brooks	–	–	81,000	0.20
Nigel Richens	–	–	25,000	0.06

7.2 The Company proposes to grant options over Ordinary Shares pursuant to the Share Plans to the following Directors on Admission for nil consideration:

Director	*Number of Ordinary Shares to be placed under option*	*Exercise price for each share*	*Exercise period*
Sean Fennon	472,221	£1	2017 to 2024
Bryce Brooks	249,999	£1	2017 to 2024
Paul Watson	249,999	£1	2017 to 2024

7.3 The Options referred to in paragraph 7.2 of this Part V above are, save in limited circumstances (e.g. on following a takeover offer in respect of the Company being effected) first capable of being exercised following publication of the Company's audited accounts for the financial year to end on 31 December 2016, which are expected to be published during 2017. All options granted under the Option Plans will lapse on the tenth anniversary of grant (if not previously exercised). Sean Fennon is to be granted options in respect of 249,999 Ordinary Shares pursuant to the EMI Plan, with the balance of his options being granted pursuant to the Unapproved Plan. Options granted to Bryce Brooks and Paul Watson are to be granted under the EMI Plan.

7.4 Sean Fennon holds 560 B ordinary shares of £0.01 each and Bryce Brooks holds 560 C ordinary shares of £0.01 each in the capital of Flowtech Limited. Such shares shall be acquired by Flowtech IPL Limited (a member of the group) immediately prior to Admission in accordance with the terms of a shareholder agreement in respect of Flowtech Limited. Gross consideration of £840,000 and £360,000 shall be payable on purchase of such Flowtech Limited shares to Sean Fennon and Bryce

Brooks respectively. Sean Fennon and Bryce Brooks will reinvest a proportion of such proceeds to subscribe for Placing Shares as set out in paragraph 7.1 above.

7.5 Sean Fennon, Bryce Brooks and Paul Watson will acquire shares in Flowtech MIP Limited on Admission in accordance with the terms of the MIP, further details of which are set out in paragraph 6.1 of this Part V.

7.6 Save as disclosed in paragraphs 7.1 to 7.5 above, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries nor does any member of his or her family (within the meaning set out in the AIM Rules) have any such interest, whether beneficial or non-beneficial.

7.7 As at 8 May 2014 (being the last practicable date prior to the publication of this Document) and so far as the Directors are aware, the only persons (other than any Director) who are or will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company prior to and immediately following Admission are as follows:

	Before Admission		*Following Admission*	
Shareholder	*Number of Ordinary Shares*	*Percentage of Existing Shares*	*Number of Ordinary Shares*	*Percentage of Existing Ordinary Shares*
Barrington House Nominees Limited*	100,001	100	–	–
Hargreave Hale	–	–	5,250,000	13.1
Miton Asset Management Ltd.	–	–	5,250,000	13.1
Cazenove Capital Management	–	–	3,000,000	7.5
Blackrock Investment Management (UK) Ltd.	–	–	2,000,000	5.0
Henderson Global Investors Ltd	–	–	2,000,000	5.0
River and Mercantile Asset Management LLP	–	–	2,000,000	5.0
Standard Life Investments	–	–	2,000,000	5.0
Legal & General	–	–	1,800,000	4.5
Premier Funds	–	–	1,800,000	4.5
Unicorn Asset Management	–	–	1,800,000	4.5
Close Brothers	–	–	1,500,000	3.8
Ruffer LLP	–	–	1,500,000	3.8

*Barrington House Nominees Limited hold the share on behalf of funds managed by Gresham Private Equity

7.8 Save as disclosed in paragraph 7.7 above, the Company and the Directors are not aware of (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

7.9 The voting rights of the persons listed in paragraph 7.7 above do not differ from the voting rights of any other holder of Ordinary Shares.

7.10 There are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.

7.11 The Directors hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within the five years prior to the date of this Document:

Director	*Current*	*Previous*
Malcolm Diamond MBE	T R Fastenings Limited Trifast Plc	Dechra Pharmaceuticals Plc CWO Holdings Limited Unicorn AIM VCT Plc Soundscape Environmental Structures LLP

Director	*Current*	*Previous*
Sean Fennon	Flowtech Limited Flowtech Europe Limited Flowtech Holdings Limited Flowtech IPL Limited Flowtech Midco Limited Flowtechnology Asia Limited Flowtechnology CZ Limited IPL Fluid Power Limited Vitassem Limited	Industrial Products & Supplies Limited Industrial Tubes & Valves Limited Merchantz Ltd. Monks & Crane (Holdings) Limited Monks & Crane Industrial Group Limited Plumb & Heat Supplies Ltd.
Bryce Brooks	Flowtech Limited Flowtech Europe Limited Flowtech Holdings Limited Flowtech IPL Limited Flowtech Midco Limited Flowtechnology Asia Limited Flowtechnology CZ Limited IPL Fluid Power Limited Vitassem Limited	D&P Data Systems Limited D&P Data Services Limited D&P Holdings Limited D P Pharma Limited Electric Systems Limited Industrial Products & Supplies Limited Industrial Tubes & Valves Limited Merchantz Ltd. Plumb & Heat Supplies Ltd. Utopia Technology Limited
Paul Watson	Flowtech Limited Flowtech Holdings Limited	TME Communications Limited
Nigel Richens	Ambler of Ballyclare Limited Burnet, Walker & Company Limited Elton Cop Dyeing Company Limited (The) Enderby Textiles Limited Heydemann Shaw Limited IPT Group Limited IPT (UK) Limited IPT Employee Benefit Trustees Limited IPT Finance Lantor International Limited Onside Youth Zones Stockport Golf Club Limited (The) Thomas Ambler & Sons Limited	PricewaterhouseCoopers LLP

7.12 Sean Fennon was a director I M Realisations Limited from 21 February 1991 until this company was dissolved on 11 November 1995. Although he understood he resigned his directorships with this company in 1992, at which time he ceased to participate in the operations of this Company, public records suggest he remained a director of I M Realisations Limited.

7.13 Sean Fennon was a director SO14 Limited from 17 June 1999. Although he resigned his office as a director of SO14 Limited in 2002, at which time he ceased to participate in the operations of this company, public records suggest he remained as a director of SO14 Limited until this company was dissolved on 8 November 2005 following an administrative receivership. SO14 Limited realised losses in development costs incurred in respect of its main software product. SO14 Limited's assets were sold by the administrative receivers following their appointment, with proceeds being insufficient to settle the liabilities of the company.

7.14 Malcolm Diamond MBE was a director of Cathedral Works Organisation (Chichester) Limited ("CWO") until 20 June 2013. This company is now in administration, having appointed an administrator on 13 March 2014. Malcolm was originally engaged by CWO to guide the return of this lossmaking stone mason business to profit, which was achieved. Despite its profitable business and strong order book, it is understood cash flow constraints resulted in the appointment of administrators, following which the business was purchased by a trade purchaser.

7.15 Save as disclosed in paragraphs 7.1 to 7.14 of this Part V, as at the date of this Document no Director:

7.15.1 has any unspent convictions in relation to any indictable offences; or

7.15.2 has been bankrupt or entered into an individual voluntary arrangement; or

7.15.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

7.15.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

7.15.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

7.15.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

8. DIRECTORS' SERVICE AGREEMENTS AND TERMS OF APPOINTMENT

8.1 Each executive Director of the Company entered into a new service agreement with the Company on 8 May 2014. With effect from Admission, the basic annual salaries of Sean Fennon, Bryce Brooks which come into effect from Admission and Paul Watson shall be £220,000, £148,000 and £148,000 (respectively), subject to annual review by the Remuneration Committee. The first review shall take place in March 2015.

8.2 With effect from Admission, each executive Director’s employment will continue unless or until terminated by either party by written notice. The notice periods applicable to Sean Fennon, Bryce Brooks and Paul Watson shall be 12 months. The Company may elect to terminate the employment of each executive director by making a payment in lieu of notice equal to their basic salary in a lump sum or monthly instalments.

8.3 The Remuneration Committee may resolve to implement any bonus scheme in favour of the executive directors. The proposed members of the Remuneration Committee have no current intention to introduce any such bonus scheme.

8.4 Each of the executive directors has agreed to confidentiality undertakings, without limitation as to time, and have agreed to non-compete, non-solicitation and non-dealing restrictive covenants that apply for a period of 12 months following termination of employment with the Group.

8.5 Malcolm Diamond MBE has agreed to be appointed a non-executive director and Chairman of the Company, pursuant to a letter of appointment dated 8 May 2014. The appointment is for a period of three years (subject to re-election at the next annual general meeting) although it is terminable within this period on three months' notice by either the Company or the non-executive Director. The fee payable for Malcolm’s services as a non-executive director and Chairman is £75,000 per annum and is subject to annual review.

8.6 Nigel Richens was appointed a non-executive director of the Company by letter of appointment dated 8 May 2014. The appointment is for a period of three years (subject to re-election at the next annual general meeting) although it is terminable within this period on three months’ notice by either the Company or the non-executive Director. The fee payable for Nigel's services as a non-executive director is £40,000 per annum and is subject to annual review.

8.7 Save as disclosed in paragraphs 8.1 to 8.6 above, there are no existing or proposed service agreements or consultancy agreements between any of the Directors and the Company which cannot be terminated by the Company without payment of compensation within 12 months.

8.8 The aggregate of the remuneration paid and benefits in kind (including bonus payments) granted to the directors by any member of the Group in respect of the financial year ended 31 December 2013 was approximately £597,000.

8.9 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this Document.

9. RELATED PARTY TRANSACTIONS

9.1 No Director has any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.

9.2 Save as set out in paragraphs 7.4 and 8 above, as far as the Directors are aware, there have been and are currently no agreements or other arrangements between the Group and individuals or entities that may be deemed to be related parties, for the period of five years prior to the date of this Document.

10. TAXATION

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC practice as at the date of this Document, having regard to the changes expected to be enacted in the Finance Bill 2013. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled Shareholders should consult their own tax advisers.

The position of Shareholders who are officers or employees of the Company is not considered in this Section, such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non-domiciled individuals claiming the remittance basis of taxation is not considered in this section.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. Any Shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

10.1 Taxation of chargeable gains

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant Shareholder give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are neither resident nor, in the case of individuals, are treated as satisfying the "residence condition" for taxation on chargeable gains to apply.

Individuals

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£10,900, for 2013/14) and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual's taxable income and gains are less than the upper limit of the income tax basic rate band (for 2013/14 £32,010 after the personal allowance of £9,440, subject to any gift aid payments made). To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2013/14, £10,900 for personal representatives of deceased persons and trustees for disabled persons and £5,450 for other trustees) will be charged at a flat rate of 28 per cent. (being the current rate at the date of this Document).

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

Companies

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (up to 23 per cent. for the financial year 1 April 2013 to 31 March 2014, reducing to up to 21 per cent. for the financial year 1 April 2014 to 31 March 2015). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

10.2 Taxation of dividends

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

Individuals

Shareholders (other than a company) receiving a dividend from the Company also receive a notional tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent. tax credit).

Individual Shareholders whose income is within the basic rate tax band (for 2013/14 £32,010 after the personal allowance, subject to any gift aid payments made) will be subject to dividend income tax at the rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax (broadly, where income exceeds £32,010, after the personal allowance) will be subject to dividend income tax at 32.5 per cent. subject to any gift aid payments made (the rate as at the date of this Document). After allowing for the 10 per cent. notional tax credit, a higher rate taxpayer suffers an effective rate of 25 per cent. on the net dividend received.

Individual Shareholders who are subject to the additional rate of income tax (broadly, where income exceeds £150,000) will be subject to dividend income tax at 37.5 per cent. After allowing for the 10 per cent. notional tax credit, an additional rate taxpayer suffers an effective rate of 30.56 per cent. on the net dividend received.

Dividends payable to trustees and personal representatives of deceased persons will be subject to dividend income tax at 37.5 per cent.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim repayment of the tax credit (or any part of it).

Companies

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will not generally expect to be subject to UK tax on dividends from the Company. Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are "ordinary share capital" for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. UK resident Shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

10.3 Stamp duty and Stamp Duty Reserve Tax ("SDRT")

An exemption from stamp duty and SDRT came into effect on 28 April 2014 (or the date that HMRC approves a market as a Recognised Growth Market, if later) in respect of securities admitted to trading on a Recognised Growth Market (including AIM) and which are not listed on a Recognised Stock Exchange ("*Growth Market Stamp Duty Exemption*"). The Company will make an application for and it is anticipated that the Growth Market Stamp Duty Exemption will apply to dealings in the Ordinary Shares such that from Admission, no liability to stamp duty or SDRT should arise in respect of any transfers on sale of the Ordinary Shares.

Should the Company seek to list its shares on a Recognised Stock Exchange in the future, then the Growth Market Stamp Duty Exemption in its current form will cease to apply to dealings of the Ordinary Shares and stamp duty or SDRT will be charged in the usual way as set out in further detail below.

Where the Growth Market Stamp Duty Exemption does not apply, or ceases to apply in the future, any dealings in Ordinary Shares will normally be subject to stamp duty or SDRT. The transfer on sale of Ordinary Shares will usually be liable to ad valorem stamp duty, at the rate of 0.5 per cent. (rounded up, if necessary, to the next multiple of £5) of the amount or value of the consideration paid.

Stamp duty will normally be paid by the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date on which the agreement became unconditional. SDRT will normally be the liability of the purchaser or transferee of the Ordinary Shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC.

The above statements are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities will not give rise to a liability to stamp duty or SDRT.

10.4 Inheritance tax

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("**IHT**") on the value of any Ordinary Shares held by them. IHT may also apply to individual Shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief ("**BPR**") may apply to Ordinary Shares in trading companies once these have been held for two years. This relief applies notwithstanding that a company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

11. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, taking into account available bank and other facilities and the net proceeds of the Placing receivable by the Company that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

12. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 31 December 2013, the date to which Flowtech Holdings Limited's last audited financial statements were published.

13. LITIGATION

No member of the Group is involved in any governmental, legal or arbitration proceedings which are having or may have a significant effect on the Group's financial position nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group.

14. PLACING AGREEMENT

In connection with the Placing and the Vendor Placing, the Company, the Directors, the Selling Shareholder and Zeus Capital entered into the Placing Agreement on 8 May 2014. The Placing Agreement is conditional on, *inter alia*, Admission occurring on 21 May 2014 or such later date (not being later than 8.00 am on 30 May 2014) as the Company and Zeus Capital may agree. The principal terms of the Placing Agreement are as follows:

14.1 Zeus Capital has agreed, as agent of the Company, to use its reasonable endeavours to procure Placees to subscribe for the Placing Shares and, as agent for the Selling Shareholder, to use its reasonable endeavours to procure Placees to purchase the Vendor Placing Shares, in each case at the Placing Price;

14.2 the Company has agreed to pay Zeus Capital, whether or not the Placing Agreement becomes unconditional, a corporate finance fee of £250,000 and, provided the Placing Agreement becomes unconditional, a commission of 4 per cent. of the aggregate value at the Placing Price of the Placing Shares (plus any applicable VAT). Separately, the Selling Shareholder has agreed to pay Zeus Capital a commission of 4 per cent. of the value of the Vendor Placing Shares at the Placing Price (plus any applicable VAT). The Company has also agreed to grant a Warrant to Zeus Capital over 3 per cent. of the fully diluted share capital of the Company as at Admission, on the terms of the Warrant Agreement, further details of which are contained in paragraph 15.3 below;

14.3 The Company has agreed to pay all of the costs and expenses of and incidental to the Placing and related arrangements (other than stamp duty or stamp duty reserve tax payable on the transfer of the Vendor Placing Shares which is payable by the Selling Shareholder) together with any applicable VAT.

14.4 The Company and the Directors have given certain warranties to Zeus Capital, which are customary for an agreement of this nature, including as to, amongst other things, the accuracy of the information in this Document and as to other matters relating to the Group and the Selling Shareholder has given certain warranties to Zeus Capital in respect of the Vendor Placing Shares. The liability of the Directors under these warranties is limited in time and amount. The Company has given an indemnity to Zeus Capital against any losses or liabilities arising out of, amongst other things, the proper performance by Zeus Capital of its duties under the Placing Agreement.

14.5 Zeus Capital may terminate the Placing Agreement before Admission in certain circumstances, including for material breach of the warranties referred to above and in the event of *force majeure*.

14.6 The following table contains details of the Selling Shareholder and the Vendor Placing Shares to be sold by it pursuant to the Placing:

Name	*Business address*	*Number of Vendor Placing Shares*	*Position, office or material relationship with the Group during the past three years*
Barrington House Nominees Limited	1 Bartholomew Lane London EC2N 2AX	100,001	Majority/sole shareholder

15. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this Document by any member of the Group and are, or may be, material to the Group or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this Document:

15.1 **The Placing Agreement.** The Company is party to the Placing Agreement detailed in paragraph 14 of this Part V;

15.2 **Nominated Adviser and Broker Agreement.** The Company and the Directors entered into a Nominated Adviser and Broker Agreement dated 8 May 2014 with Zeus Capital, pursuant to which Zeus Capital agreed to act as the Company's nominated adviser and broker for an initial period of 12 months, terminable by either party on three months' notice after the expiry of the initial term. Zeus Capital undertakes to provide the services of a nominated adviser as required under the AIM Rules and the Company and the Directors agree to comply with their obligations under the AIM Rules. The Company will pay Zeus Capital a fee of £75,000 per annum (plus applicable VAT) pursuant to the terms of the agreement.

15.3 **Warrant Agreement.** The Company and Zeus Capital entered into the Warrant Agreement dated 8 May 2014 pursuant to which the Company has granted Zeus a right to subscribe for 1,200,000 Ordinary Shares of £0.50 each at 100 pence per share exercisable at any time in the 10 year period following Admission. The Warrant is not capable of exercise in the first 12 months following Admission, save in very limited circumstances (for example, in the case of a takeover bid having become unconditional). The warrants issued pursuant to the Warrant are not capable of transfer save that Zeus Capital is permitted to transfer tranches of a minimum of 10,000 warrants to its group companies and employees provided always there will be no more than 25 warrant holders at any given time.

15.4 **Term Facility Agreement** The Company and Flowtech Limited entered into a £7,000,000 term loan facility agreement dated 8 May 2014 made between, among others, Barclays Bank PLC (as lender), the Company (as parent) and original borrower, Flowtech MIP, Flowtech Holdings Limited, Flowtech Midco Limited, Flowtech IPL Limited and Flowtech Limited (as original guarantors). The Term Facility Agreement has a term of 4 years from the date of the Term Facility Agreement. The purpose of the Term Facility Agreement is to refinance the existing banking facilities of the Group and to assist with the repayment of any fees, costs and expenses incurred in connection with the refinancing and the Admission. The loans made available under the Term Facility Agreement are repayable in seven instalments: four of £428,571 on each of 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017, and three of £428,572 on each of 30 June 2015, 30 June 2016 and 30 June 2017, with a final bullet repayment of all amounts outstanding under the Facility, the termination date. Any amounts repaid may not be redrawn. The Term Facility Agreement is based on a market standard form of senior multicurrency term and revolving facilities agreement for leveraged transactions and contains representations, undertakings and events of default which are typical for a facility of this size and a borrowing group of this nature. The Term Facility Agreement is secured in favour of Barclays Bank PLC by way of debentures, incorporating fixed and floating charges over the assets of the guarantors. The guarantors also entered into a multilateral cross-guarantee in respect of their obligations.

15.5 **Receivables Facility Agreement.** Flowtech Limited entered into a £6,000,000 invoice discounting facility agreement dated 8 May 2014 with Barclays Bank PLC (as the receivables purchaser). The Receivables Facility Agreement has a term of 4 years from the date of the Receivables Facility Agreement. Under the Receivables Facility Agreement, Barclays Bank PLC agrees to purchase from Flowtech Limited certain debts owed to Flowtech Limited by its customers in respect of sales of goods. Upon the purchase by Barclays Bank PLC of such debts, the ownership of such debts and any rights in relation thereto are immediately vested with Barclays Bank PLC. Barclays Bank PLC prepays 80 per cent. of the full invoice value of such debt to Flowtech Limited in respect of debts it purchases. The Receivables Facility Agreement includes terms that are typical for a sales ledger finance agreement. Flowtech Limited has granted a debenture incorporating fixed and floating charges over its assets in respect of its obligations to Barclays Bank PLC pursuant to the Receivables Facility Agreement.

15.6 **Loan Note Novation Agreement.** The Company entered into a Loan Note novation agreement dated 7 May 2014 between the Company, Flowtech MIP Limited, Flowtech Holdings Limited, Flowtech Midco Limited, pursuant to which, *inter alia*, Flowtech MIP Limited novated its liability to Barrington House Nominees Limited and R.N. Limited in respect of Loan Notes originally issued by Flowtech Midco Limited with an aggregate liability (including all accrued 'Payment in Kind' interest) amounting to £56,654,096.68, in consideration for which Flowtech MIP confirmed its liability to the Company in a sum of the same amount. The Company's liability to Barrington House Nominees Limited in respect of this debt was subsequently partially extinguished by capitalising £27.3 million of the Loan Note balance by the issue of 1 Ordinary Share on 8 May 2014 as noted in paragraph 4.3.3 of this Part V.

15.7 **Sale of Industrial Products & Supplies Limited.** Pursuant to a sale and purchase agreement dated 4 April 2014 between Flowtech IPL Limited (as Vendor) ("**IPL**"), Simon Harrison (as Purchaser) and Flowtech Limited (as Guarantor), IPL sold the entire issued share capital of Industrial Products and Supplies Limited ("**IP&S**") to Simon Harrison for an aggregate consideration of £1. The terms of sale included certain undertakings from IPL to (i) reimburse Simon Harrison with respect to certain property liabilities of IP&S, and (ii) pay rental, service charges, insurance costs, dilapidation costs and other costs and expenses incurred by IP&S in respect of certain premises leased by IP&S until the respective termination dates under the relevant leases of such premises. Flowtech Limited provided a guarantee to Simon Harrison with respect to IPL's performance and observance of such undertakings. IPL provided only warranties to title and capacity to sell the shares in the capital of IP&S, and otherwise did not include any other warranties in respect of the business, nor did it include any tax covenant. A transitional services agreement was also entered into between IPL, Flowtech Limited and IP&S pursuant to which IPL and Flowtech Limited would provide, at cost, such support as IP&S may require for a maximum period of 6 months.

15.8 **Barclays Bank Facilities** (June 2013) The Group refinanced its borrowings on 18 June 2013 pursuant to which Barclays Bank PLC provided the following facilities:

15.8.1 a £10,000,000 senior sterling term facility agreement dated 18 June 2013 between, amongst others, Barclays Bank PLC (as lender, arranger, agent and security trustee) and members of the Flowtech Holdings Limited group, including Flowtech IPL Limited (as principal borrower) pursuant to which Barclays Bank PLC agreed to make available a term loan facility of £10,000,000 to Flowtech IPL Limited;

15.8.2 a £3,000,000 sterling stock financing facility agreement between Flowtech Limited, and Barclays Bank PLC dated 18 June 2013;

15.8.3 a sales ledger finance agreement between Industrial Products & Supplies Limited and Barclays Bank PLC dated 18 June 2013 ; and

15.8.4 a sales ledger finance agreement between Flowtech Limited and Barclays Bank PLC dated 18 June 2013.

Each of these facilities (save for the facility referred to at paragraph 15.8.3, above which will continue to be held by Industrial Products & Supplies Limited following its disposal by the Group in April 2014) will be terminated on Admission in accordance with the terms of such facility agreements with the new facilities referred to in paragraphs 15.4 and 15.5 replacing such facilities (which shall be repaid).

16. CONSENTS

16.1 Grant Thornton UK LLP has given and not withdrawn its consent to the issue of this Document with the inclusion herein of its report in Section A of Part III of this Document and the references to such report in the form and context in which it appears and has authorised the contents of Section A of Part III of this Document.

16.2 Zeus Capital Limited has given and not withdrawn its consent to the issue of this Document with the inclusion of its name and references to it in the form and context in which they appear.

17. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

17.1 *Mandatory bid*

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in Ordinary Shares were to result in the acquirer and its concert parties holding, in aggregate, interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel on Takeovers and Mergers, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) interests in shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage interest in the total voting rights of the Company.

17.2 *Squeeze out*

If a “takeover offer” (as defined in section 974 of the Act) is made to acquire all the Ordinary Shares in the Company (a “takeover offer”) and the offeror, by virtue of acceptances of such offer, acquires or contracts to acquire not less than 90 per cent. in value of the Ordinary Shares to which the takeover offer relates, then the offeror would have the right, subject to certain conditions being fulfilled and by serving written notice on the minority Shareholders, to acquire compulsorily the remaining Ordinary Shares of the minority Shareholders for the offer price, following the expiry of six weeks from the date of the notice. Such a notice will not be capable of being given after the earlier of (a) the period of three months beginning with the day after the last day on which the takeover offer can be accepted, or (b) the period of six months beginning with the date of the takeover offer, where that period ends earlier.

17.3 *Sell out*

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If at any time before the end of the period within which the takeover offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. in value of the Ordinary Shares, any holder of shares to which the takeover offer relates who has not accepted the takeover offer can require the offeror to acquire his Ordinary Shares. The offeror would be required to give any such minority Shareholder notice of his right have his Ordinary Shares bought out within one month of that right arising. The time period within which a minority Shareholder has a right to have his Ordinary Shares acquired expires at the end of three months from (a) the end of the period within which the takeover offer can be accepted, or (b) if later, the date of the notice. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the takeover offer or, subject to the Takeover Code, on such other terms as may be agreed.

17.4 *Takeover bids*

No takeover offers have been made in respect of the Company or Flowtech Limited.

18. GENERAL

18.1 The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company, are estimated to be approximately £3.06 million (exclusive of value added tax). This amount includes the commissions referred to in paragraph 14 of this Part V. The expected net proceeds of the Placing, after deduction of such costs and expenses (excluding VAT), is £36.84 million. No expenses of the Placing or Vendor Placing are being specifically charged to subscribers or purchasers under the Placing.

18.2 Save as disclosed in this Document, no person (other than the Company's professional advisers named in this Document and trade suppliers) has at any time within the 12 months preceding the date of this Document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

18.3 The Placing Price of 100 pence represents a premium of 50 pence above the nominal value of 50 pence per Ordinary Share. The Placing Price is payable in full on application.

18.4 The auditor of the Company is Grant Thornton UK LLP, chartered accountants and registered auditors, which has audited the Group's former holding company's (Flowtech Holdings Limited) accounts for the financial years ended 31 December 2012 and 2013. KPMG LLP audited Flowtech Holdings Limited's accounts in respect of the financial year ended 31 December 2011. The audit reports for all such accounts were unqualified and did not contain a statement under sections 498(2) or (3) of the Act.

18.5 The information contained in paragraph 4 of Part I relating to the UK fluid power market has been sourced from the British Fluid Power Association. This information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the British Fluid Power Association, no facts have been omitted which would render such information inaccurate or misleading.

18.6 The Group currently has no significant investments in progress and the Group has made no firm commitments concerning future investments.

18.7 The Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Group is dependent.

18.8 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of DLA Piper UK LLP at 3 Noble Street, London EC2V 7EE for a period of a month from the date of this Document:

19.1 the memorandum and articles of association of the Company;

19.2 the report relating to the Group prepared by Grant Thornton UK LLP in Part III of this Document; and

19.3 the audited consolidated financial statements of Flowtech Holdings Limited and its subsidiaries for the three years ended 31 December 2013.

Dated 9 May 2014

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REGISTERED OFFICE
Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

Website: www.flowtechfluidpower.com
Email: info@flowtechfluidpower.com

REGISTERED OFFICE
Pimbo Road
Skelmersdale
Lancashire
WN8 9RB

Website: www.flowtechfluidpower.com
Email: info@flowtechfluidpower.com