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P/E 5/12/05

BEGBIES TRAYNOR
CORPORATE RESCUE AND RECOVERY**ANNUAL REPORT**OUR REF: VMB/BXD/THERMOTIC
YOUR REF:When calling please ask for
Brigid Daly

3 February 2006

Dear Sirs

Thermotic Developments Limited (company voluntary arrangement) ("Thermotic")
In the High Court of Justice no 505 of 2002
Company number: 3330864

The third anniversary of my appointment passed on 6 December 2005 and in accordance with Rule 1.26(2) of the Insolvency Rules 1986, I am writing to you to report on the progress of the Arrangement to date.

Receipts and Payments

Attached is a receipts and payments account for the Arrangement.

Basis of the Arrangement

Under the approved terms of the Arrangement, 35 % of income generated on royalties from the sale of the product, Mark II Can, and a percentage of income generated on royalties from all other licensed products, would be paid to the Joint Supervisors for the benefit of the CVA. It was anticipated that royalties from licensing would start to produce a cash flow after 27 months (March 2005) from the acceptance of the CVA. The anticipated dividend payment to preferential creditors was 100p in the £ and 80p in the £ to unsecured creditors, net of costs.

The contributions to the CVA were to be made quarterly in arrears with the first payment of £87,500 becoming due on 1 June 2005. Contribution payments were to continue until September 2007 by which time total contributions of £850,000 would have been made to the Joint Supervisors of the CVA for the benefit of the Company's creditors. The total contributions into the Arrangement could potentially be enhanced by any additional income generated from increased royalties. Subject to contributions into the Arrangement, a distribution to the preferential creditors of 100p in the £ was to be made in August 2005 and a first distribution to the unsecured creditors in December 2006.

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A list of partners is available from the above office
Nigel Atkinson, Paul Davis, Nick Hood and Chris Morris are authorised by the Institute of Chartered Accountants to act as Insolvency Practitioners
Vivian Bairstow, Tim Dolder and Chris Herron are authorised by the Insolvency Practitioners Association to act as Insolvency Practitioners
R Andrew Segal is authorised by The Secretary of State for Trade & Industry to act as Partners acting as administrative receivers and administrators contract without

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Certain physical assets of Thermotic were to be sold for the benefit of the Arrangement, if not used by the can manufacturers.

Modifications to the Proposal

Subsequent to my annual report last year the creditors approved by postal resolution the following variations to the terms of the Arrangement as approved on 6 December 2002 in respect of the timing of contributions into the arrangement and the rate of dividend paid to unsecured creditors under paragraphs 8.6 and 8.11 respectively:

1. That contributions to the CVA at the previously agreed level will commence on 31 May 2006, and will be made quarterly thereafter until such time as the total contributions reach such figure that would enable funds of £850,000 to be distributed to creditors and meet the costs of the Arrangement itself, with a commensurate extension of the Arrangement.
2. The proposed dividend to unsecured creditors be reduced in line with available funds.

Implementation of the Arrangement

Development projects

As detailed in a previous report, the Joint Supervisors agreed to Thermotic granting an exclusive licence to Griffyn Services Providers Limited ("Griffyn") to use the licensed processes and to manufacture, distribute and sell licensed products and to appoint third parties to manufacture, distribute and sell licensed products and to carry out all or any other activities reasonably necessary to exploit the inventions commercially. Griffyn would enter into sub-licences with third parties with the majority of any royalties received by Griffyn being paid to Thermotic.

When last reporting, a number of potential development plans had not advanced beyond negotiation stage. As a consequence the directors (via Griffyn) were seeking other parties who would be interested in developing the product. A number of organisations have been approached by the directors and had expressed an interest in developing the food steamer. The directors and Griffyn had spent a large part of the previous year liaising with these parties.

The directors report that as a result of these negotiations an agreement has been secured with a major food retailer for a pilot launch of a "Snack Steamer" in a number of selected stores, to take place in Spring 2006. If the launch is successful then the product will be sold nationwide. Under the terms of the agreement with the retailer, the product will be free to be sold to other retailers after an exclusive three month period.

Subject to the success of this launch the Company will be able to commence contributions into the CVA.

Research and Development Tax Credit

I have been advised by the directors of Thermotic that the company is claiming an additional Research and Development Tax Credit of approximately £20,000. If successful these funds are to be used to reimburse Griffyn in respect of costs incurred by them in maintaining Thermotic's patents.

Co-operation of directors and provision of information

I confirm that the directors have provided me with the necessary information, as required under the terms of the Arrangement and have at all times co-operated with me.

Creditors' Claims

The expected claims of unsecured creditors have not increased beyond the figure of £1,134,377 which was stated in my last annual report. As previously advised on the present proposed income stream, this would reduce the estimated dividend to unsecured creditors to 66p in the £, which is less than the figure of 80p in the £ in the Proposal, (clause 8.11), approved by creditors. The estimated dividend to the preferential creditors remains unchanged at 100p in £.

Supervisors' Fees

Under the terms of the Arrangement, I am authorised to draw remuneration on a time cost basis, to be drawn as and when funds are available. I would advise creditors that my firm's total post-appointment costs incurred to date amount to £53,616. However, as you will note from the attached Receipts and Payments Account, only £2,550 of fees have been drawn to date. The fees charged by my firm are analysed in the attached schedule, which details the time charged by the various grades of staff involved in the Arrangement, together with an analysis of the related costs.

A significant amount of time was incurred in liaising with and advising the directors on the exploitation agreement, which as you will note from the above is necessary for the success of the Arrangement.

Outstanding Proofs of Debt

Please may I ask you to submit details of your claim to me for dividend purposes if you have not done so already, or if you feel it would ensure I am aware of your claim. Interest can be included in your claim if it has become part of the debt in accordance with your original contract. However, interest can only be included up to the date of the first meeting of creditors, 6 December 2002. A copy of the statement of Thermotic's account with you would also be appreciated. I will contact you in due course with regard to a dividend on your claim in accordance with the projected timing of such dividends in the Proposal, assuming that creditors accept the proposed modifications to the terms of the Arrangement.

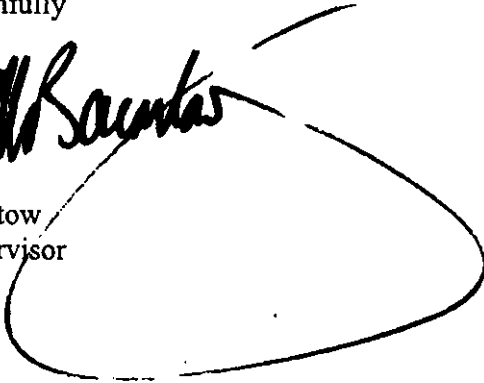
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Should you have any queries on the progress of the arrangement or the contents of this report, please do not hesitate to contact me.

Yours faithfully

A handwritten signature in black ink, appearing to read 'V M Bairstow', written in a cursive style.

V M Bairstow
Joint Supervisor

A large, loopy handwritten flourish or signature in black ink, extending from the main signature area and looping around the printed name.

Thermotic Developments Limited
(Under a Voluntary Arrangement)

Income And Expenditure Account
To 30/01/2006

	Total
INCOME	£
Plant & Machinery	2,053.75
Refunds-Electricity	988.33
Bank Interest Gross	3.15
Bank Interest Net of Tax	0.27
Miscellaneous Income	106.84
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EXPENDITURE	
Supervisors Fees	2,550.00
Bank Charges	118.05
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BALANCE	484.29
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MADE UP AS FOLLOWS	
VAT Receivable	446.25
Floating - Current	38.04
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	484.29
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01T6750 Thermotic Developments Ltd

	Partner	Director	Senior Manager	Manager	Senior Case Administrator	Case Administrator	Support And Cashiering	Total Hours	Total Cost (£)	Avg Rate (£)
Pre-appointment Time	11.75	0.00	0.00	23.00	18.00	0.00	0.00	52.75	12,462.51	236.26
Planning & Control	4.40	0.00	0.00	2.30	1.17	0.00	0.00	7.87	2,479.33	315.17
Admin & Accounting	1.75	0.00	0.00	39.97	64.40	6.00	32.82	144.94	25,170.12	173.66
Reporting, S of A, Stat Returns	0.50	0.00	0.00	27.28	17.80	0.75	0.33	46.67	9,822.09	210.47
Investigations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixed Charge Assets	10.00	0.00	0.00	0.75	10.75	0.00	0.00	21.50	5,455.00	253.72
Floating Charge Assets	3.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	1,200.00	400.00
Trading	1.75	0.00	0.00	6.08	1.00	0.00	0.00	8.83	2,269.17	256.89
Debt Collection	0.00	0.00	0.00	0.00	2.00	0.00	0.00	2.00	340.00	170.00
Prefs, Un-secured & Members	2.10	0.00	0.00	10.83	16.50	0.25	0.50	30.18	6,155.42	203.93
Employees	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.20	80.00	400.00
Meetings	1.00	0.00	0.00	1.00	0.00	0.00	0.00	2.00	645.00	322.50
	36.45	0.00	0.00	111.22	131.62	7.00	33.65	319.94	66,078.64	

Employee / Disbursements Costs

792.76

Disbursement Fees Drawn

0.00

Time Fees Drawn to Date

(2,550.00)

Outstanding Costs

64,321.40