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INDITHERM plc

Annual Report &
Financial Statements
2011

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Contents

Inditherm at a glance

Based near Rotherham, South Yorkshire and incorporated in the United Kingdom, Inditherm plc designs, manufactures and installs heating solutions using the Company's innovative, patented, low voltage, carbon-based conductive polymer technology (CPT) This provides a flexible heating material that can be fitted over a wide variety of shapes, as well as laid out flat to heat large areas from above or below Running from a low voltage (6V to 50V) DC or AC power supply, it can reach temperatures of up to 120°C

Applications for the technology are numerous but the Company is focusing on selected applications and market areas where there are perceived to be significant growth opportunities Inditherm already has an established track record in industrial process industries, such as confectionery, food and chemicals, where CPT is ideal for heating pipes, tanks, valves and pumps and in medical applications, primarily for warming patients

Inditherm – Target markets

Medical

In the Medical market, Inditherm specialises in warming solutions to prevent hypothermia and heat therapy systems for the treatment of injuries and enhancing intravenous therapies for both staff and patients The company has broadened their offerings in the target markets with products that complement their warming systems

Patient warming products offer significant benefits in operating theatres and recovery, with a combination of significant cost reduction for the hospital, greater convenience for clinical users, ability to treat more patients and environmental gains This range achieved formal guidance from NICE in 2011

In neonatal patient warming applications the greatest success has been in the intensive and special care units, with a growing uptake in delivery suites, post natal wards and patient transport

Heat therapy products had initially focussed on physiotherapy and rehabilitation use, mostly outside the hospital sector in sports-related treatments There is now a growing use in chemotherapy departments where the Inditherm systems help the cannulation process and reduce the pain for the patient

In general, Inditherm technology offers improved clinical performance in our target markets, in some areas combined with significant cost savings over traditional products Products are sold in the UK via a direct sales force, with the support of some regional partners, and internationally through a broad network of overseas distributors

Industrial

The company currently focuses its attention on standard products for heating containers such as industry standard IBCs and drums The bespoke solutions business area, which targets sectors such as confectionery manufacture, is handled by a partner organisation, ADI Group, with Inditherm supplying the heating elements

Directors and Advisers

Directors	MS Abrahams (Chairman) N Bettles JH Markham ID Smith
Secretary and registered office	ID Smith, Inditherm House, Houndhill Park, Bolton Road Wath upon Dearne, Rotherham, S63 7LG
Company number	3587944
Independent auditors	PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street Leeds, LS1 4JP
Bankers	HSBC, Montgomery Road, Wath Upon Dearne Rotherham, S63 7QW
Nominated adviser and broker	Canaccord Genuity Limited, 8th Floor, 88 Wood Street, London, EC2V 7QR
Legal advisers	Walker Morris, Kings Court, 12 King Steet, Leeds LS1 2HL
Registrars	Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham Kent, BR3 4TU

Chairman's Statement

Overview

During 2011 Inditherm made good progress in its core Medical business The recommendations of the UK's National Institute for Health & Clinical Excellence (NICE) on our patient warming system has increased our profile within the NHS and led to a gathering momentum of enquiries for the Company s operating theatre products This has helped to sustain our progress in what could otherwise have been a difficult period with the NHS facing numerous pressures and reorganisations

The standard product sector of our Industrial business continued to make a positive contribution We also saw some pick-up in orders from the ADI Group for process solutions heating components in the second half of the year

The year showed a substantial reduction in losses allowing us to maintain our cash reserves

Overall, the enhanced focus and efficiency arising from the disposal of our industrial process solutions business has been a great help to our progress

Results

The results comparisons with 2010 reflect the continuing activities of the business and are presented in terms of ongoing operations

The turnover of continuing operations for the year rose by 25% to £1,659k (2010 £1,324k) Gross profit increased by 24% to £1,000k (2010 £805k) due to growth of both the Medical and Industrial businesses

Overheads were reduced slightly during the year, to £1,131k (2010 £1,222k) resulting in an operating loss of £131k (2010 £417k) The post-tax loss on continuing activities was £108k (2010 £382k), giving a 72% reduction, and representing a total 78% reduction when taking into account losses from discontinued activities in 2010 (£106k)

The year end cash balance was £1 628k (2010 £1 701k), representing a significantly reduced outflow of £73k (2010 £391k) reflecting the improved operating result

Operations

Overall Medical revenue in 2011 grew by 24% notwithstanding the challenges in the UK NHS sector Pressures within the NHS generally stalled decision-making and release of funds, however the Company managed to sustain the previous year's order levels, with a gathering momentum during the year There was a 20% increase in orders from our non-US distributors, with the growth coming from outside Europe Orders from the USA amounted to £71k, giving a welcome increase but representing only 5% of our global Medical business

The final recommendations by NICE relating to Inditherm s technology were released in August 2011 These were very positive about the benefits of Inditherm s patient warming products and are already showing signs that they will accelerate uptake of our medical products in the NHS in the year ahead

We have seen a 29% increase in revenue from our Industrial standard product ranges compared to the previous year With our reduced overhead structure this sector now makes a positive contribution to the overall business The order intake from the ADI Group for standard heating pads used in their process solutions activity showed encouraging growth during the year

Chairman's Statement
continued

Dividends

As stated in previous years, the Board intends to devote the Company's financial resources to business development This intention which the Board believes is in the best interest of the shareholders, has continued during 2011 and the Board does not expect to declare a dividend during the Company s continuing development

Employees

We continue to invest in our workforce to ensure we have the appropriate skills with which to grow the business On behalf of the Board, I thank our staff most sincerely for their continued support

Outlook

Against the backdrop of significant uncertainty in the UK NHS, which appears to be reflected in much of Europe, the publication of the NICE guidance on our operating theatre products in August 2011 has stimulated a significant increase in sales enquiries Whilst we cannot ignore the continuing uncertainty, we anticipate that interest generated by the NICE recommendations will translate into increased order flow in the year ahead

Despite the variable nature of the export sector of our Medical business through independent distributors with partners now in over 50 overseas countries we expect that sales growth can continue Whilst economic conditions remain difficult in many European countries we are seeing growing activity in other regions that we expect to compensate for that The USA represents a relatively small proportion of our total sales, but there was some order progress in 2011 and we will continue to pursue any opportunities in the year ahead, whilst maintaining a balanced use of our resources Additionally, we are involved in a small number of potential projects involving the use of Inditherm technology in third party products (OEM), some of which we hope will reach a successful conclusion in the second half of 2012

We plan to continue to develop our Industrial standard product business through the year, whilst containing the associated overheads We anticipate that our relationship with the ADI Group should help to deliver further growth, albeit probably modest in relation to the overall business

The Company has traded profitably in seven out of the twelve months to the end of February 2012, which includes a modestly profitable start to the current year This gives us reason to be optimistic of entering a more profitable period

MARK ABRAHAMS
Chairman

29 March 2012

Chief Executive's Review

Overview

Turnover on continuing activities increased by 25% in 2011, with a corresponding increase in gross profit, despite difficult trading conditions in the NHS With continuing containment of overheads, losses for the year on continuing activities fell by 72% to £108k (2010 £382k)

The results of our initiative in securing evaluation of Inditherm technology by NICE reached fruition during the year This yielded very positive guidance and has stimulated a noticeable growth in interest for operating theatre applications from NHS hospitals

In the Medical sector we have continued to build on our international distribution activity during the year, with notable success from some of our newer partners Market conditions remain challenging in many countries, however the broad network of distributors we have now established has allowed us to continue our export growth

The very specific focus of our remaining Industrial activities has ensured that this sector delivered a positive impact on trading performance without distracting us from our core Medical business objectives

Sales and Marketing

In the Medical sector the economic situation in many countries continues to render market conditions difficult not least of which being the UK Despite this we managed to sustain order levels from the NHS helped by growing appreciation of the significant cost advantages our products offer

Considerable effort continued during the year to obtain approval from NICE for our operating room product range Their final recommendations were very positive endorsing the clinical evidence and highlighting the very substantial cost savings our technology delivers We executed a co-ordinated marketing campaign across the UK when the guidance was released and have seen an encouraging upturn in enquiries for our products as a result The typical sales cycle in the NHS would suggest that we will see the benefits flowing through to results during 2012

We realised some further expansion of our international distribution network during 2011, and now have nearly 60 overseas partners We have concentrated on building the contribution from our established distributors throughout the year and have increased our resource allocation to the Middle East region The breadth of our geographic distribution network has helped to overcome the impact of the global economic downturn on healthcare markets, giving an overall growth in export orders of nearly 20%

We have seen early signs of growing interest in our operating theatre products in the USA but this has so far only translated into modest revenues We see this market as potential future up-side to our plans, but will continue to ensure that the allocation of resources is proportionate and does not therefore threaten our overall export growth

We continue to pursue a number of potential OEM opportunities with other manufacturers in a range of different industry sectors Some of these are progressing faster than others, and whilst none have yet reached the point of firm commitment to proceed to product launch, they do represent good potential for additional growth and in some cases would contribute to enhanced Inditherm brand recognition

Product Development

We have continued to develop our existing product ranges, with particular focus on the Medical business to improve market opportunities and uptake We have completed the introduction of our heat therapy product for use in chemotherapy and have seen an encouraging start to market uptake in the UK

The development of our neonatal range to suit transport applications was advanced during 2011 and product launch is now underway We have very recently started the introduction of a range of warming cabinets developed with a partner company which are used for fluids and blankets in operating theatre suites and intensive care units and support our existing patient warming activities

Chief Executive's Review
continued

We have secured the worldwide rights to a new product for obstetric use that will complement our existing sales activity and should underpin our growth potential We have led the development of a commercial product from a concept initiated within a multi-centre NHS research group and expect to launch this later in the year

Operations

We have expanded our production capacity during the year, with the recruitment of additional staff and a reorganisation of the production areas to support the increased sales volumes and product range expansion We have a very dedicated and adaptable production team and the Company has invested in training to ensure we can adapt to variations in product demand, both medical and industrial

We continue to receive very positive feedback from our distributors in particular, confirming that they consider Inditherm to have high quality products with excellent service and support

Outlook

Economic conditions in the NHS have exacerbated the reluctance to adopt new technologies, which is a situation already recognised at government level, which has made sales of medical equipment particularly challenging The compelling arguments for Inditherm s ability to deliver cost savings in the operating theatre area are helping us to sustain sales levels against the general market trend Following publication of the NICE guidance on our patient warming technology we have seen a significant upturn in interest from NHS hospitals with a growing number of prospects progressing through the sales cycle Overall we see the opportunity to realise further sales growth in the UK in the year ahead

The breadth of our international distribution organisation affords us a good degree of protection against regional market difficulties The indications are that we can continue our export growth in the year ahead, although the rate we will be able to achieve remains a little uncertain With a number of potential up-side opportunities, we are hopeful that we can outperform current market trends for medical equipment sales

We have made progress with our Industrial standard product business over the last year as business with the ADI Group has become established and we believe that this performance can be sustained in 2012 The Company will continue to contain overheads to maintain a profitable contribution from this sector and will resist any activities that risk deflecting us from our focus on the Medical business

NICK BETTLES
Chief Executive

29 March 2012

Directors and Board Committees

Directors

*Mark Abrahams (Aged 57 Non-executive Chairman)**

Mark is currently Non-executive Chairman of Fenner Plc, having been Chief Executive for 18 years There he led a strategy of converting the Group from a power transmissions manufacturer to a world leader in reinforced polymers Mark is also Vice Chair of Leeds Teaching Hospitals Trust and was formerly non-executive Chairman of the Darby Group Plc He is a Chartered Accountant and a Companion of the Institute of Management

Nick Bettles (Aged 56 Chief Executive)

Nick joined the Company in April 2004 as Medical Division Director, and was promoted to Chief Executive in November 2007 He is a chartered engineer with BSc and MSc degrees in electrical and electronic engineering from Bristol University Nick has held executive management positions within the Medical division of Vickers plc and in the industrial field with the Combustion & Environmental division of Land Instruments International, in addition to his experience at Inditherm

*John Markham OBE (Aged 65) **

John joined the Company in March 2002 and is a Chartered Engineer, Fellow of the Institute of Chemical Engineers and Chartered Scientist He was awarded the OBE in 1995 for services to industry John is Chairman of West Northamptonshire Development Corporation and sits on the boards of Northamptonshire Waterside Enterprise Zone and Northamptonshire Local Enterprise Partnership He is also a non-executive director of Aeternum Capital

Ian Smith (Aged 55, Finance Director and Company Secretary)

Ian joined the Company in January 2004 and is a Chartered Accountant and qualified Corporate Treasurer He has extensive international industrial experience gained at both group and operating company level Prior to joining Inditherm, Ian was Finance Director for Portakabin Ltd and Divisional Finance Director of Holset, the turbocharging division of Cummins Engine Co Inc

* Non-executive

Board Committees

The principal standing committees appointed by the Board are as follows

Audit committee	*Remuneration committee*	*Nominations committee*
Mark Abrahams *Chairman*	John Markham *Chairman*	Mark Abrahams *Chairman*
John Markham	Mark Abrahams	John Markham
		Nick Bettles

Statement of Corporate Governance

As a Company whose shares are traded on AIM, we are not required to comply with all the requirements of the UK Corporate Governance Code published by the Financial Reporting Council on June 2010 However, the Board is committed to the highest standards of corporate governance in relation to its size and sets out below details of how it has applied the provisions of the UK Corporate Governance Code of 2010

Board Composition

The Board has two executive directors and two independent non-executive directors who are considered by the Board to be independent notwithstanding the length of service Details of the Board members are on page 7

The Board meets regularly throughout the year and has a formal schedule of matters specifically reserved for its decision

The non-executive directors are considered by the Board to be independent of management and free from any relationship which could materially interfere with the exercise of their independent judgement They receive a fixed fee for their services The continuity of service by the non-executive directors is considered appropriate given the limited resources available to the Company and the Board believe that independence is not prejudiced by this

If required, the directors are entitled to take independent legal advice and if the Board is informed in advance the cost of the advice will be reimbursed by the Company The Company Secretary s services are available to all members of the Board

Due to the current size of the Company the roles of Finance Director and Company Secretary are carried out by one person

Board Committees

The Board has three standing committees, the membership of which is set out on page 7

Audit Committee

The Audit Committee meets as required, but at least twice a year In addition to reviewing the annual report and financial statements and the interim statement prior to their submission to the Board for approval, it keeps the scope cost effectiveness, independence and objectivity of the external auditors under review This includes monitoring the level of non-audit fees

The committee routinely meets for private discussion with the external auditors, who attend its meetings, as required

Remuneration Committee

The report of the Remuneration Committee is set out on page 10

Nominations Committee

The Nominations Committee considers succession planning, reviews the structure, size and composition of the Board and nominates candidates to fill Board vacancies

Board Appointments

Any decision to appoint further directors to the Board is taken by the entire Board in a formal meeting Where it is deemed necessary, new members of the Board are provided with appropriate training in respect of their roles and duties as a public company director

Statement of Corporate Governance
continued

Relations with Shareholders

The Company places a great deal of importance on communication with its shareholders

John Markham has been identified as the Company's Senior Independent Director He is available to shareholders who wish to raise any concerns that they have been unable to resolve through other channels and to attend meetings between management and major investors

The notice of the AGM will be sent to shareholders at least 21 days before the Meeting At the forthcoming AGM, the Company will indicate the level of proxy voting and members of the Board will be available to answer questions

Internal Control

The directors acknowledge their responsibility for the Group's systems of internal control

The Group maintains systems of internal control to provide reasonable but not absolute assurance against material misstatement or loss

The system of internal control is structured around an assessment of prioritisation of the various risks to the business The control environment is designed to address particularly those risks that the Board considers to be material to the business in safeguarding the assets against unauthorised use or disposition and maintaining proper accounting records which produce reliable financial information

The Board has reviewed the effectiveness of the system of internal control for the accounting period and the period to the date of approval of the financial statements

The key features of the Group s systems of internal control are as follows

- An ongoing process of risk assessment to identify evaluate and manage business risks
- Management structure with clearly defined responsibilities and authority limits
- A comprehensive system of reporting financial results to the Board
- Quality control systems certified under ISO 9001
- Appraisal and authorisation of capital expenditure

Due to the size of the Company there are inherent control limitations The Company does not currently operate an internal audit function At the Audit Committee meetings the Finance Director presents a formal report on Internal Controls and where appropriate a programme of work to ensure systems and processes are maintained in an appropriate manner for the operations

Going Concern

The Group meets its day-to-day working capital requirements through its cash resources

The current economic conditions continue to create uncertainty particularly over the level of demand for the Group's products The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current resources After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements

Remuneration Report

Responsibilities

The Committee has two members, John Markham (Chairman of the Committee) and Mark Abrahams, and is responsible for the determination of the remuneration policy of the Group's executive directors and senior executives

Directors' service contracts

Mr Bettles has a rolling 12-month contract and Mr Smith has, during the year, agreed to a reduced notice period of a rolling six months There are no provisions for compensation if there is a change of control in either contract The service contracts do not contain any provision for compensation on early termination other than the notice period In the event of any early termination the Committee would seek to mitigate cost to the Company whilst dealing fairly with any individual case

Mark Abrahams, Chairman, was given a new letter of appointment during the year, which appointed him for a further three-year term through to 8 December 2014 John Markham non-executive Director was given a new letter of appointment on 9 March 2012 for a further three-year term through to 13 March 2015 Under the terms of these letters either party can serve 12 months' written notice to terminate the arrangement and the maximum compensation payable in the event that appropriate notice is not given will be the equivalent of 12 months director's fees

The details of the service contracts in relation to the executive directors and letters of appointment in relation to the Chairman and non-executive director are

	Unexpired term at 29 March 2012	Notice period
MS Abrahams	33 months	12 months
JH Markham	36 months	12 months
N Bettles	12 months	12 months
ID Smith	6 months	6 months

Remuneration of Non-executive directors

The remuneration for the non-executive directors is determined by the Board as a whole and consists of fees for their services in connection with Board and Board Committee meetings and where relevant, for additional services such as chairing a Board Committee Non-executive directors do not participate in decisions about their own remuneration They are not eligible to participate in the Company's pension, bonus or share option schemes

Executive remuneration policy

The Committee endeavours to offer competitive remuneration packages which are designed to attract, retain and incentivise executive directors and senior executives with the experience and necessary skills to operate and develop the Company's business to their maximum potential, thereby delivering the highest level of return for the shareholders

Consistent with this policy, benefits packages awarded to executives are intended to be competitive and comprise a mix of contractual and performance related remuneration designed to incentivise them but not to detract from the goals of corporate governance

The remuneration packages reflect the fact that the Company has not yet reached break-even or profitability

Remuneration Report
continued

The composition of each director's remuneration based on a maximum payment under the terms of an annual performance related bonus is as follows

	Contractual entitlement	Performance related
N Bettles	67%	33%
ID Smith	67%	33%

Remuneration components for executive directors

Remuneration packages are reviewed each year to ensure that they are in line with the Group's business objectives No director participates in decisions about their own remuneration package The main components in determining pay are as follows

- *Basic salary/fees and benefits*

  The basic annual salary is subject to an annual review, which takes into account the performance of the Company and the individual Benefits comprise the provision of a vehicle allowance or the provision of a fully expensed Company car private healthcare insurance and a death in service insurance scheme

- *Annual performance related bonus*

  Demanding annual performance targets which are consistent with both the short and long term objectives for the business are set for executive directors which must be achieved before the bonus is payable The bonus for achievement of the annual target is 35% and the maximum potential payment for the annual bonus is 50% of basic annual salary excluding benefits in kind and pension contributions

- *Pensions*

  Executive directors receive pension contributions of 5% of basic salary to a stakeholder or money purchase scheme

- *Executive share options schemes*

  Share options are granted to executive directors to encourage them to deliver sustained long term growth Except in exceptional circumstances the value of options granted in any year will not exceed one times basic salary and the total value of options outstanding will not exceed five times salary

Unilateral concessions

With effect from 1 November 2010 the following concessions were made by certain board members and remain in place

Mark Abrahams

Mr Abrahams has offered a concession to reduce his monthly remuneration by 10%, which takes the annual cost down from £35,000 to £31,500 This concession is voluntary and for all contract matters in respect of his letter of appointment the annual remuneration would be £35 000 The concession can be revoked at any time in writing

John Markham

Mr Markham has offered a concession to reduce his monthly remuneration by 10%, which takes the annual cost down from £22 500 to £20 250 This concession is voluntary and for all contract matters in respect of his letter of appointment the annual remuneration would be £22,500 The concession can be revoked at any time in writing

Remuneration Report
continued

Nick Bettles

Mr Bettles has offered a concession to reduce the monthly remuneration by 10% which will take the annual cost down from £110,000 to £99 000 This concession is voluntary and for all other contractual matters in respect of his service contract, the annual remuneration would be £110 000 The concession can be revoked at any time in writing

As consideration for making this concession, Mr Bettles will receive a concession payment equal to 2 5 times the total amount already deducted in line with this concession if profit criteria are achieved or if the business, or part thereof, is sold for sufficient value No provisions have been made for this payment in the financial statements to 31 December 2011 Further details are explained in note 19, Contingent liabilities

Directors' detailed emoluments

The emoluments of the directors of the Company were as follows

	Salary £'000	Bonus £'000	Pension contribution £'000	Benefits in kind £'000	2011 Total £'000	2010 Total £'000
MS Abrahams	**32**	**–**	**–**	**–**	**32**	34
JH Markham	**20**	**–**	**–**	**–**	**20**	23
N Bettles	**99**	**6**	**5**	**12**	**122**	125
ID Smith	**91**	**4**	**5**	**13**	**113**	109
	242	**10**	**10**	**25**	**287**	291

Contributions to a defined contribution pension scheme were paid on behalf of two directors (2010 two) during the year No directors exercised share options during the current or previous year

Interests in share options

Details of options held by directors at 31 December 2011 are set out below

	Date of grant	Option price	2011 Number	2010 Number
MS Abrahams	**10/12/2001**	**97p**	**–**	207 540
JH Markham	**09/04/2002**	**222p**	**–**	30,000
N Bettles	**27/05/2008**	**10p**	**400,000***	400,000*
ID Smith	**02/04/2004**	**52 5p**	**100,000**	100 000
ID Smith	**27/05/2008**	**10p**	**200,000***	200,000*

* These options were initially issued on 21 December 2007 but were reissued on 27 May 2008 to accommodate registration conditions that Her Majesty s Revenue & Customs (HMRC) required in order that the options qualified for Enterprise Management Incentive relief

After an initial three-year qualification period options are exercisable at any time up to the tenth anniversary of the date of grant

The market price of the Company's shares at 31 December 2011 was 3 5p the range of market prices during the year was 2 88p to 4 50p

Share options, in respect of 207,540 shares, issued to MS Abrahams on 10 December 2001, time expired during the year and have been cancelled

Share options in respect of 30,000 shares issued to JH Markham upon appointment in April 2002, were surrendered and cancelled on 9 December 2011

On 18 January 2012, following discussions with and the agreement of major shareholders, N Bettles was issued with a further 900 000 share options and ID Smith 350 000 share options under the Company's Enterprise Management Incentive Scheme at a strike price of 5p

Remuneration Report
continued

Directors' interests in shares

The director s interests in the 1p ordinary shares of the Company at the end of the year were,

	2011 Number of shares	2010 Number of shares
MS Abrahams	**301,546**	301,546
JH Markham	**29,366**	29,366
N Bettles	**4,444**	4,444
ID Smith	**54,444**	54,444

There have been no post year end changes to these holdings

All directors interests are beneficially held

JOHN H MARKHAM
Chairman Remuneration Committee

29 March 2012

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Company s website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

In accordance with Section 418, directors reports shall include a statement, in the case of each director in office at the date the Directors Report is approved, that

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board

IAN D SMITH
Finance Director and Company Secretary

29 March 2012

Report of the Directors

for the Year ended 31 December 2011

The directors present their report together with the Group's audited financial statements for the year ended 31 December 2011

Results and dividends

The Consolidated Statement of Comprehensive Income is set out on page 20 and shows the loss for the year

As stated in previous years the Board intends to devote the Company's financial resources to business development This intention, which the Board believes is in the best interest of the shareholders, has continued during 2011 and the Board does not expect to declare a dividend during the Company s continuing development (2010 nil)

Principal activity and business review

The principal activity of the Group is the manufacture, sale, installation and licensing of specialised heating materials A review of the Group s development during the year and its prospects are given in the Chairman s Statement on page 3 the Chief Executive s Review on page 5

Principal risks and uncertainties

The Group has a formal process for indentifying principal risks and has a programme for reviewing these risks as part of its monthly board meeting business The principal risks faced by the Group are

- Business growth rates and global economic factors
- Liquidity and going concern
- Polymer production and development programme
- Patents infringement

Key Performance Indicators

The Board of Directors monitor the following key performance indicators in absolute and relative terms at its monthly board meetings

	2011	2010
Order growth rate (Year on year) Continued growth across both trading segments	**16%**	56%
Gross profit % (Annual percentage) Small change in margins due to higher proportion of export sales	**60%**	61%
Overheads There is an on-going drive to contain overhead costs as the business strives to become profitable	**£1,131k**	£1 222k
Cash resources available Cash resources to finance operations through to breakeven	**£1,628k**	£1,701k

Directors

The directors of the Company who served during the year are shown on page 7

Report of the Directors
for the Year ended 31 December 2011 (continued)

Substantial interests

At 27 March 2012 the Company had been notified of the following interests (excluding the interests of the directors), which amounted to 3% or more of the issued capital of the Company

Shareholder	Number of shares	Percentage holding
D G Steward	15,050,000	29 4%
Patrick O Grady	4,894 994	9 6%
Allianz Cornhill Insurance plc	4,600 000	9 0%
First Phoenix VCT plc	3 400,000	6 7%
Aviva plc	2,972 085	5 8%
Amati VCT 2 plc	2 500 000	4 9%
AXA Investment Managers Limited	2 112,085	4 1%

Creditor payment policy and practice

It is the Group and Company policy to settle all trade creditors within commercial terms of trade agreed with each supplier The number of days purchases represented by the Group and Company trade creditors at the year end was 42 (2010 45)

Research and development

The Group continues to invest in research and development in order to increase its product offering and improve the effectiveness of its technology Internal costs are expensed in the Consolidated Statement of Comprehensive Income

External costs incurred on specific development projects that are expected to result in commercially and economically viable products are capitalised and expensed over a period of up to three years

Financial instruments

The Group's financial instruments comprise cash and various items such as trade debtors, trade creditors, that arise directly from its operations The main purpose of these financial instruments is to finance the Group s operations

The main risks arising from the Group s financial instruments are liquidity and credit risk The Group ensures that it has sufficient cash resources available to meet all short term cash requirements and to meet its capital expenditure programme for the foreseeable future

At present the directors do not believe that the Group has significant interest rate risks and consequently does not hedge against such risk

Credit limits are set for all customers having referred to payment history and/or the services of a credit rating support service

The Board reviewed and updated its investment strategy for its cash investments in the light of the issues in the banking sector This review established that no more than £1m would be placed on deposit with any one institution and that all institutions should be rated AA or better for long term investments and A1+ for short term investments The Board keeps this situation under review

Report of the Directors

for the Year ended 31 December 2011 *(continued)*

The Board has established a foreign currency hedging policy that aims to protect gross profit when viewed in sterling terms, for orders denominated in foreign currencies that have been awarded by customers or placed with suppliers At this stage of the Company s development the uncertainty of future business levels means that no hedging is undertaken for projected sales not contractually committed The policy allows the use of spot and forward foreign exchange contracts, but does not allow the use of other derivative instruments The amount of cash held in foreign currencies is not considered significant enough to require hedging arrangements The Board keeps these risks under regular review and considers the policy appropriate given the relatively low exposure to foreign currency

Further information on financial instruments is set out in note 15

Political and charitable donations

The Company does not make political or charitable donations

Indemnification of directors

The directors Contracts of Employment and Letters of Appointment do not indemnify directors The Company provides directors and officers insurance cover for £5,000,000 and is contractually committed to provide cover for the period of service and six years thereafter

Re-appointment of auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution to re-appoint them is proposed for consideration at the Annual General Meeting

Special business

- Resolution 4 in the Notice of Annual General Meeting on page 40 renews the authority of the directors to allot relevant securities The nominal amount of securities to which the authority relates is £25,000, which represents approximately 5% of the Company s current issued share capital Such authority will expire at the conclusion of the Annual General Meeting next following the passing of this Resolution or if earlier fifteen months after the date of this Ordinary Resolution The directors have no present intention of exercising this authority

- Resolution 5 waives the statutory pre-emption rights under s 561 of the Companies Act 2006 in respect of the allotment of equity securities for cash The nominal amount of equity securities which may be issued without being offered to existing shareholders is £25k as noted above for Resolution 4 There is no present intention to make any such allotment of equity securities, but the directors consider it desirable to maintain the flexibility afforded by this power

- Resolution 6 seeks shareholder approval to extend The Inditherm plc Enterprise Management Incentive Scheme for 10 years The scheme was initially adopted by the Company on 10 December 2001 and ran for a 10-year period expiring on 10 December 2011 Following discussions with and the agreement of major shareholders, the Board of Directors (under the rules of the scheme) extended this for 12 months but is now seeking shareholders' approval to extend the scheme, otherwise unchanged, for a further period through to 10 December 2021

- The directors believe that the three Resolutions above are in the best interests of the Company and shareholders and they therefore recommend shareholders to vote in favour of the Resolutions

By order of the Board

IAN D SMITH
Secretary

29 March 2012

Independent Auditors' Report to the Members of Inditherm plc

We have audited the Group and Company financial statements (the financial statements ') of Inditherm plc for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Shareholder Equity and the Consolidated and Company Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report including the opinions has been prepared for and only for the company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and Company s circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2011 and of the Group s loss and Group s and Company's cash flows for the year then ended
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditors' Report to the Members of Inditherm plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Company or returns adequate for our audit have not been received from branches not visited by us or
- the Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Randal Casson

Randal Casson (Senior Statutory Auditor)
for and on behalf of **PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
Leeds

29 March 2012

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Revenue	3	**1,659**	1,324
Cost of sales		**(659)**	(519)
Gross profit		**1,000**	805
Administrative expenses		**(1,131)**	(1,222)
Operating loss	5	**(131)**	(417)
Finance income	6	**10**	8
Loss on ordinary activities before taxation		**(121)**	(409)
Taxation credit from loss on ordinary activities	7	**13**	27
Loss for the year on continuing activities		**(108)**	(382)
Loss from discontinued activities	2	**–**	(106)
Loss and total comprehensive income for the period attributable to equity shareholders		**(108)**	(488)
Loss per share from continuing operations attributable to equity holders of the Company during the year – basic and diluted	8	**(0 2p)**	(0 7p)
Loss per share from total Inditherm Group attributable to equity holders of the Company during the year – basic and diluted	8	**(0 2p)**	(1 0p)

All recognised gains and losses are included in the statement of comprehensive income As such there is no other comprehensive income

There is no difference between the results stated above and those prepared on the basis of historic cost equivalents

The results above are presented on the basis of continuing operations A reconciliation of the comparatives to previously reported results is contained in note 2

The notes on pages 20 to 38 are an integrated part of these consolidated financial statements

N BETTLES
Director

ID SMITH
Director

Consolidated and Company Balance Sheet
as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	**26**	45
Intangible assets	10	**50**	75
		76	120
Current assets			
Inventories	12	**165**	132
Trade and other receivables	13	**233**	238
Tax recoverable		**13**	32
Cash and cash equivalents		**1,628**	1,701
		2,039	2,103
Liabilities			
Current liabilities			
Trade and other payables	14	**(238)**	(238)
		(238)	(238)
Net current assets		**1,801**	1,865
Net assets		**1,877**	1,985
Shareholders' equity			
Called up share capital	17	**511**	511
Share premium account		**9,929**	9 929
Share based payment reserve		**134**	134
Retained earnings		**(8,697)**	(8 589)
Total equity		**1,877**	1,985

The financial statements on pages 20 to 41 were approved by the Board of Directors on 29 March 2012 and signed on its behalf by

N Bettles
Director

ID Smith
Director

Consolidated and Company Statement of Changes in Shareholder Equity

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2010	511	9 929	134	(8,101)	2 473
Loss for the year	–	–	–	(488)	(488)
At 31 December 2010	511	9 929	134	(8,589)	1 985
Loss for the year	–	–	–	(108)	(108)
At 31 December 2011	**511**	**9,929**	**134**	**(8,697)**	**1,877**

Consolidated and Company Cash Flow Statement

for the year ended 31 December 2011

	2011 £'000	2010 £'000
Net operating loss for the period from continuing operations	**(131)**	(417)
Profit on disposal of property, plant and equipment	**(4)**	–
Depreciation and amortisation	**64**	46
Increase in inventories	**(33)**	(35)
Decrease in trade and other receivables	**5**	18
Decrease in trade and other payables	**–**	(7)
Decrease in provisions	**–**	(5)
Interest received	**10**	8
Tax refund	**32**	74
Net cash outflow from operating activities – continuing operations	**(57)**	(318)
Net cash outflow from operating activities – discontinued operations	**–**	(49)
Cash flow from investing activities – continuing operations		
Purchase of property plant and equipment	**(7)**	(21)
Capitalised development costs	**(13)**	(3)
Sale of property plant and equipment	**4**	–
Net cash used in investing activities – continuing operations	**(16)**	(24)
Net cash used in investing activities – discontinued operations	**–**	–
Net decrease in cash and cash equivalents	**(73)**	(391)
Cash and cash equivalents at the beginning of the period	**1,701**	2 092
Cash and cash equivalents at the end of the period	**1,628**	1,701

Notes forming part of the Financial Statements
for the year ended 31 December 2011

1 Accounting Policies

Basis of preparation

The Company was incorporated in England and Wales and is domiciled in England

The principal accounting policies adopted in the preparation of these financial statements, which have been applied consistently to all periods presented, are set out below

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing these statements The financial statements are prepared under the historical cost convention, except for share-based payments and derivative financial instruments which are measured at fair value

Basis of consolidation

The financial statements of the Group consolidate the financial statements of Inditherm plc and its subsidiary undertakings up to 31 December 2011 using acquisition accounting The results of subsidiary undertakings acquired during a financial period are included from the effective date of acquisition All intra-group transactions, balances, income and expenses are eliminated on consolidation

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 and has not presented its own income statement The loss after taxation of for the year dealt with in the accounts of the Parent Company was £108k (2010 £488k loss)

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights Consistent accounting policies are used by all subsidiaries

Going Concern basis

The Group meets its day-to-day working capital requirements through its cash resources

The current economic conditions continue to create uncertainty particularly over the level of demand for the Group s products The Group's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Group should be able to operate within the level of its current resources After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements

Critical accounting estimates and judgements

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of costs and revenues during the reporting period Actual results could differ from these estimates Information about such judgements and estimates is contained in individual accounting policies

Key sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities within the next accounting period are

- Revenue recognition and assessment of long term contract performance,
- Warranty provisions
- Allowances against the valuation of inventories
- Debtor valuation and
- Deferred taxation

New and amended standards adopted by the Group or Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group

Notes forming part of the Financial Statements
for the year ended 31 December 2011 *(continued)*

1 Accounting Policies (continued)

New accounting standards and IFRIC interpretations

New standards amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted are

- IAS 19, 'Employee benefits'
- IFRS 9 Financial instruments'
- IFRS 10, Consolidated financial statements
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13 'Fair value measurement'

None of these are expected to have a material impact on the Group

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Company

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities Revenue is shown net of value added tax, returns, rebates and discounts Revenue is recognised when title of the goods passes to the customer or when the services have been provided

The revenue and forecast gross profit on medical service and rental contracts is assessed at the commencement of the contract on the basis of likely costs and provided the outcome of the contract can be assessed with reasonable certainty, the income and the gross profit is recognised over the life of the contract on a straight-line time apportioned basis Provision is made in full for any losses as soon as they can be foreseen Provisions for costs not yet incurred are included in current liabilities Costs incurred in advance of the time apportioned assessment of the cost are charged to the income statement when incurred

Turnover and attributable profit on long term contracts is recognised according to the percentage of estimated total contract value completed, provided that the outcome of the contract can be assessed with reasonable certainty Percentage of completion is calculated as costs incurred compared to total estimated costs expected to be incurred Amounts recognised as revenue in respect of work done but not yet billed are included within current assets net of progress payments received and provisions for foreseeable losses Costs incurred including an appropriate allocation of overheads, in respect of long term contracts are included in work in progress net of amounts recognised in cost of sales in the income statement, progress payments received and provisions for foreseeable losses

Provision is made in full for any losses as soon as they can be foreseen Any payments on account or provisions for foreseeable losses in excess of contract balances are included in current liabilities

Exceptional items

Exceptional items are non-recurring and/or material items which are either outside of the Group s ordinary activities or that due to their size or nature require separate disclosure in order for the financial statements to provide a better indication of the underlying results of the business

Employee benefits

The Group operates a stakeholder pension scheme and contributions are also paid into employees personal pension schemes Contributions are charged to the Statement of Comprehensive Income in the period in which they become payable The Group has no further payment obligations once the contributions have been paid

Share-based incentives

The Group issues equity settled share options to certain employees These are measured at fair value at the date of grant and recognised as an expense in the income statement over the vesting period based upon the Group s estimate of the number and value of options that will eventually vest The fair value is determined by using the Black-Scholes options pricing model

Notes forming part of the Financial Statements

for the year ended 31 December 2011 *(continued)*

1 Accounting Policies (continued)

Research and development costs

Research expenditure is written off in the year in which it is incurred Development expenditure is charged to the Statement of Comprehensive Income in the year in which it is incurred unless it meets the criteria for capitalisation in IAS 38 Intangible assets

Product development costs

All internal costs of product development are written off in the period in which it is incurred

Where the criteria for capitalisation in IAS 38 'Intangible assets are meet costs incurred with third parties are capitalised and amortised over their useful economic lives which is initially considered to be three years from the point the products are launched to market

Leases

Payments made under operating leases net of any incentives received from the lessor are charged to the income statement on a straight line basis over the period of the lease

Assets acquired under hire purchase contracts are capitalised in the balance sheet and depreciated over the shorter of the lease term or their expected useful lives The capital element of future lease payments are included in liabilities The interest element is charged to the Statement of Comprehensive Income over the term of the contract

Foreign currency transactions and balances

Foreign currency transactions are translated using exchange rates prevailing at the date of the transactions Assets and liabilities are translated at exchange rates ruling at the end of each financial period, gains and losses on retranslation are recognised in the Statement of Comprehensive Income

Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and any provision for impairment Cost comprises purchase cost together with any incidental costs of acquisition Depreciation is provided to write off the cost less the estimated residual value of the tangible fixed assets by equal instalments over their estimated useful economic lives The asset's residual values and useful economic lives are reviewed, and adjusted as appropriate, at each balance sheet date The following rates are applied

Fixtures and fittings	–	10%-25% per annum
Motor vehicles	–	25% per annum
Plant machinery and office equipment	–	20%-33% per annum

Intangible assets

Intangible assets are recognised if it is probable to demonstrate that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset The cost of assets is amortised over the period over which the Group expects to benefit from these assets Provision is made for any impairment in value if applicable

Purchased intellectual property rights are capitalised and amortised over the directors' estimate of their useful economic life of 10 years

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

Notes forming part of the Financial Statements
for the year ended 31 December 2011 *(continued)*

1 Accounting Policies (continued)

Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date together with any adjustment in respect of previous years

Deferred taxation is recognised, using the full liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted, by the balance sheet date, and are expected to apply when the related deferred taxation asset is realised or deferred taxation liability is settled

Deferred taxation assets are recognised only to the extent that it is probable that within a reasonable future taxable profits will be available against which the temporary differences can be utilised

Inventories

Inventories which include raw materials and work in progress are stated at the lower of cost and net realisable value Cost comprises direct material and where applicable direct labour costs and those overheads that have been incurred in bring inventories to their present location and condition Raw materials are valued on a first in first out basis

Net realisable value is based on estimated selling price less additional costs to completion or disposal Allowance is made for obsolete defective and slow moving items based on estimated future usage

Trade and other receivables

Trade and other receivables are stated at cost less provisions for impairment, where appropriate Provision for impairment of trade receivables is established where there is evidence that the Group will not be able to collect all the amounts due The amount of the provision is the difference between the asset's carrying amount and the cash flows expected to be received

Investments

Investments held as non-current and current assets are stated at cost less provision for any impairment in value

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts Bank overdrafts are shown within borrowings on the balance sheet

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value at each balance sheet date The resulting gain or loss is recognised directly in the income statement The Group does not apply hedge accounting in respect of its financial instruments nor does it trade in any financial instruments

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Grants

Revenue based grants are credited to the income statement against related expenditure whilst grants of a capital nature are treated as deferred income and are transferred to the Statement of Comprehensive Income over the expected useful lives of the relevant assets

Notes forming part of the Financial Statements

for the year ended 31 December 2011 *(continued)*

1 Accounting Policies (continued)

Provisions

Provisions for liabilities are made where the timing or amount of settlement is uncertain A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated Provisions are not discounted on the ground of materiality as permitted under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'

Warranty provision

The performance of products is warranted against clearly defined performance specifications established by reference to the technical and development testing carried out at the manufacturing facility in Wath upon Dearne and in the field The estimated cost of work to be performed under warranty on items sold by the Group is provided for when the above criteria are met

Share capital

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction net of tax, from the proceeds

2 Continuing/Discontinued operations

Continuing activities as defined in these financial statements is in accordance with the provisions of IFRS 5 Non-current assets held for sale and discontinued operations

On 13 December 2010, Inditherm plc transferred the Process Solutions business to the ADI Group (ADI) Under this exclusive distribution agreement, Inditherm continues to make heating pads with ADI taking responsibility for all sales marketing, design installation and project management Inditherm retained all activity related to their other Industrial products, including Intermediate Bulk Container (IBC), drum and cylinder heating systems

The following analyses the result of the continuing/discontinued operations for the periods

		Continuing Operations		**Discontinued Operations**			
						Total	Total
		2011	2010	**2011**	2010	**2011**	2010
	Notes	**£'000**	£ 000	**£'000**	£'000	**£'000**	£'000
Revenue	3	**1,659**	1 324	–	324	**1,659**	1 648
Cost of sales		**(659)**	(519)	–	(227)	**(659)**	(746)
Gross profit		**1,000**	805	–	97	**1,000**	902
Administrative expenses		**(1,131)**	(1 222)	–	(203)	**(1,131)**	(1 425)
Operating loss	5	**(131)**	(417)	–	(106)	**(131)**	(523)
Finance income	6	**10**	8	–	–	**10**	8
Loss before taxation		**(121)**	(409)	–	(106)	**(121)**	(515)
Taxation credit from loss on ordinary activities	7	**13**	27	–	–	**13**	27
Total deficit for the year attributable to equity holders		**(108)**	(382)	–	(106)	**(108)**	(488)
Loss per share – basic and diluted	8	**(0 2p)**	(0 7p)	–	(0 3p)	**(0 2p)**	(1 0p)

The discontinued operations were only a part of the activities of the Company, Inditherm plc It is the directors' opinion that any apportionment of finance income and taxation credit would be highly subjective and potentially misleading

Notes forming part of the Financial Statements

for the year ended 31 December 2011 *(continued)*

3 Segmental analysis

Inditherm's activities are organised into three segments two trading segments being Medical and Industrial Standard Product and Central and unallocated costs Technical and Engineering overhead costs are charged against the segments based on time and usage Central and unallocated costs are not allocated to trading segments

There is no inter-segmental trading

The Group s operations are based in the United Kingdom The Medical business operates on a worldwide basis and the Industrial segment operates predominately in the UK market

The Group's Chief Operating Decision Maker is the Chief Executive Nick Bettles

The financial information presented to the Chief Operating Decision Maker, including the financial information of the Group's reportable segments, is presented in accordance with International Financial Reporting Standards (IFRS)

Medical

In the Medical market, Inditherm specialises in warming solutions to prevent hypothermia and heat therapy systems for the treatment of injuries and enhancing intravenous therapies for both staff and patients The company has broadened their offerings in the target markets with products that complement their warming systems

Patient warming products offer significant benefits in operating theatres and recovery with a combination of significant cost reduction for the hospital, greater convenience for clinical users, ability to treat more patients and environmental gains This range achieved formal guidance from NICE in 2011

In neonatal patient warming applications the greatest success has been in the intensive and special care units with a growing uptake in delivery suites post natal wards and patient transport

Heat therapy products had initially focussed on physiotherapy and rehabilitation use, mostly outside the hospital sector in sports-related treatments There is now a growing use in chemotherapy departments where the Inditherm systems help the cannulation process and reduce the pain for the patient

In general, Inditherm technology offers improved clinical performance in our target markets, in some areas combined with significant cost savings over traditional products Products are sold in the UK via a direct sales force with the support of some regional partners and internationally through a broad network of overseas distributors

Industrial

The company currently focuses its attention on standard products for heating containers such as industry standard IBCs and drums The bespoke solutions business area, which targets sectors such as confectionery manufacture is handled by a partner organisation, ADI Group, with Inditherm supplying the heating elements

Notes forming part of the Financial Statements

for the year ended 31 December 2011 *(continued)*

3 Segmental analysis (continued)

Central and Unallocated costs (Central costs)

This segment includes the costs of the Board of Directors, costs attributable to the businesses status as a public limited company on the AIM market together with shared support functions such as accounting and sales administration An allocation of these costs to the two trading segments has not been made because it is the Board's opinion that it would be too subjective and could lead to distorted decision making

Segmental information for the years ended 31 December 2011 and 2010 is as follows

	Industrial Standard Product £000's	**Medical £000's**	**Central costs £000's**	**2011 Total £000's**
Orders	**238**	**1,403**	**-**	**1,641**
Revenue	**265**	**1,394**	**-**	**1,659**
Operating profit/(loss)	**84**	**466**	**(681)**	**(131)**
Trade receivables	**56**	**142**	**-**	**198**

	Industrial Standard Product £000 s	Medical £000 s	Central costs £000's	2010 Total £000 s
Orders	213	1 198	–	1,411
Revenue	205	1,119	–	1,324
Operating profit/(loss)	60	286	(763)	(417)
Trade receivables	38	89	–	127

Reconciliation of segmental operating profit/(loss) to deficit for the year attributable to equity holders

	2011 £000's	2010 £000's
Operating loss on continuing activities	**(131)**	(417)
Loss on discontinued activities (see note 2)	**-**	(106)
Finance income	**10**	8
Taxation credit from loss on ordinary activities	**13**	27
Deficit for the year attributable to equity holders	**(108)**	(488)

Reconciliation of Segmental trade receivables to total net assets

	2011 £000's	2010 £000's
Trade receivables – Continuing operations	**198**	127
Trade receivables – Discontinued operations	**-**	63
Total Trade receivables	**198**	190
Prepayments and accrued income	**35**	48
Property, plant and equipment	**26**	45
Intangible assets	**50**	75
Inventories	**165**	132
Current tax asset	**13**	32
Cash and cash equivalents	**1,628**	1,701
Trade and other payables	**(238)**	(238)
Net assets	**1,877**	1,985

Notes forming part of the Financial Statements
for the year ended 31 December 2011 *(continued)*

4 Employees

Group	**2011 £000's**	2010 £000's
Aggregate employee costs are as follows		
Wages and salaries	**615**	646
Social security costs	**72**	68
Other benefits	**27**	30
Pension costs – defined contribution schemes	**15**	15
Total continuing operations	**729**	759
Total discontinued operations	**-**	193
Total	**729**	952

Employee costs include the costs of executive directors and not the costs of the non-executive directors

Average number of persons including Executive Directors employed

	2011 Number	2010 Number
Management and administration	**4**	4
Medical Sales	**6**	6
Industrial Sales	**1**	1
Development	**1**	1
Production	**8**	7
Total continuing operations	**20**	19
Total discontinued operations	**-**	5
Total	**20**	24

Directors' emoluments

The emoluments of the directors of the Company are

	2011 £'000	2010 £'000
Aggregate emoluments	**277**	281
Contributions to defined contribution pension scheme	**10**	10
	287	291

The emoluments of the highest paid director were £122k (2010 £125k) Contributions to pension arrangements for the highest paid director were £5k (2010 £5k)

No directors exercised share options during the year (2010 none)

Notes forming part of the Financial Statements

for the year ended 31 December 2011 *(continued)*

5 Operating loss

Operating loss has been arrived at after charging/(crediting)

	2011 £'000	2010 £'000
Depreciation of property plant and equipment – owned assets	**26**	23
Amortisation of intangible fixed assets	**38**	23
Profit on disposal of property, plant and equipment	**(4)**	–
Property lease payments	**71**	71
Other operating leases	**28**	35
Research and development costs	**50**	104
Grant income	**(6)**	(18)
Auditor's remuneration		
For audit services – statutory	**25**	24
For non-audit services – tax fees	**3**	3
Total – Auditor's remuneration	**28**	27

6 Net finance income

	2011 £'000	2010 £'000
Finance income		
Bank interest receivable	**10**	8

7 Taxation

(a) Analysis of credit in the year

Tax Credit	2011 £'000	2010 £'000
UK corporation tax credit – Current year	**13**	26
– Prior year	**–**	1
	13	27

(b) Factors affecting tax credit for year – continuing operations

The tax assessed for the year is explained below

	2011 £'000	2010 £'000
Loss on continuing activities before taxation	**(121)**	(409)
Loss on ordinary activities multiplied by expected rate of corporation tax of 20 25% (2010 21%)	**(25)**	(86)
Effects of		
Expenses not deductible for tax purposes	**3**	2
Depreciation and Amortisation in excess of capital allowances not recognised as deferred tax asset	**(3)**	10
Loss utilised on Research and Development claim	**10**	22
Trading losses for which no deferred tax has been recognised	**15**	53
Prior year adjustments	**–**	(1)
Research and development tax credit-current year	**13**	26
Research and development tax credit-prior year	**–**	1
Total tax credit	**13**	27

The Research and development tax credit is effectively at an enhanced rate to the expenditure at the expected rate of corporation tax of 20 25% (2010 21%)

Notes forming part of the Financial Statements

for the year ended 31 December 2011 *(continued)*

7 Taxation (continued)

(c) Factors affecting tax credit for year – discontinued operations

	2011 £'000	2010 £'000
Loss on discontinued activities before taxation	–	(106)
Loss on ordinary activities multiplied by expected rate of corporation tax of 20 25% (2010 21%) carried forward	–	(22)
Trading losses carried forward	–	(22)

(d) Factors that may affect future tax charges

The Group has tax losses estimated at £6 962k (2010 £6,889k) available for relief against future trading profits The asset is not recognised due to the uncertainty of being able to utilities these losses against future profits

Deferred taxation

	2011 £'000	2010 £ 000
Accelerated capital allowances and other timing differences	84	96
Losses	1,410	1,395
	1,494	1 491

Note that the effective future tax rate is 20 25% (2010 21%)

8 Loss per share

The calculations of loss per ordinary share are based on a weighted average 51,112 581 (2010 51 112 581) ordinary shares in issue during the year The share options are anti-dilutive due to the loss in the year and have therefore been excluded

The loss per share from total Inditherm Group attributable to equity holders of the Company is based on the total deficit for the year attributable to equity holders of £108k (2010 £488k)

The loss per share from continuing operations attributable to equity holders of the Company is based on a loss for the year on continuing activities of £108k (2010 £382k)

The loss per share from discontinued operations attributable to equity holders of the Company is based on a loss for the year on discontinued activities of £nil (2010 £106k)

Notes forming part of the Financial Statements
for the year ended 31 December 2011 *(continued)*

9 Property, plant and equipment

Group and Company

	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
1 January 2010	236	187	67	490
Additions	1	20	–	21
Disposals	(5)	(21)	(9)	(35)
31 December 2010	232	186	58	476
Additions	1	6	–	7
Disposals	–	(3)	(48)	(51)
31 December 2011	**233**	**189**	**10**	**432**
Accumulated depreciation				
1 January 2010	196	175	67	438
Depreciation charge	15	8	–	23
Provision for diminution in value	2	3	–	5
Disposals	(5)	(21)	(9)	(35)
31 December 2010	208	165	58	431
Depreciation charge	16	10	–	26
Disposals	–	(3)	(48)	(51)
31 December 2011	**224**	**172**	**10**	**406**
Net book amount				
31 December 2011	**9**	**17**	**–**	**26**
31 December 2010	24	12	–	45

10 Intangible assets

Group

	Intellectual property rights £'000	Product development costs £'000	Total £'000
Cost			
1 January 2010	136	113	249
Additions	–	3	3
31 December 2010	136	116	252
Additions	–	13	13
31 December 2011	**136**	**129**	**265**
Accumulated amortisation and impairment			
1 January 2010	136	18	154
Amortisation charge	–	23	23
31 December 2010	136	41	177
Amortisation charge	–	38	38
31 December 2011	**136**	**79**	**215**
Net book amount			
31 December 2011	**–**	**50**	**50**
31 December 2010	–	75	75

Only product development costs are held in the Company balance sheet Intellectual property rights are held in a Group subsidiary

Amortisation of intangible assets is included within cost of sales within the Statement of Comprehensive Income

Notes forming part of the Financial Statements
for the year ended 31 December 2011 *(continued)*

11 Investments in subsidiaries – Company

Investment in subsidiaries at cost	£
At 1 January 2011 and **31 December 2011**	**104**

Provisions of £104 have been made against the investment (2010 £104)

Inditherm plc has the following wholly owned subsidiaries registered and operating in England and Wales

Name	Nature of business	Class of share
Inditherm (Medical) Limited	Holding company for intellectual property rights	Ordinary
Inditherm (UK) Limited	Dormant	Ordinary
Inditherm Construction Limited	Dormant	Ordinary

12 Inventories

Group and Company	2011 £'000	2010 £'000
Raw materials	**117**	104
Work in progress	**5**	6
Finished goods	**43**	22
	165	132

Inventories are presented net of provisions to write down the values to management's estimate of net realisable value

The amount charged to the income statement in respect of the writing down of inventories was £48k (2010 £25k) The amount credited to the income statement in respect of reversals of write downs was £69k (2010 £59k) The cost of inventories recognised as an expense and included in cost of sales was £376k (2010 £216k)

13 Trade and other receivables

Group and Company	2011 £'000	2010 £'000
Trade receivables	**198**	190
Prepayments and accrued income	**35**	48
	233	238

Trade and other receivables are non-interest bearing There is no material difference between the carrying amount and the fair value of trade and other receivables

Trade receivables are presented net of provision for doubtful trade receivables of £1k (2010 £5k), all provisions for doubtful debts are against specific customers' accounts

Movements on the Group and Company provision for impairment of trade receivables are as follows

Group and Company	2011 £'000	2010 £'000
At 1 January	**5**	3
Provision made for impaired receivables	**–**	6
Unused provision reversed	**–**	(1)
Receivables written off during the year as uncollectable	**(4)**	(3)
At 31 December	**1**	5

Notes forming part of the Financial Statements
for the year ended 31 December 2011 *(continued)*

13 Trade and other receivables (continued)

Other receivable balances do not contain impaired assets

At 31 December 2011, trade receivables of £1k (2010 £5k) were impaired The amount of provision was £1k (2010 £5k)

The ageing of these receivables is as follows

Group and Company	2011 £'000	2010 £ 000
Under one year	-	5
Over one year	1	–
	1	5

At 31 December 2011, trade receivables of £92k (2010 £58k) were past due but not impaired These receivable balances are not considered impaired because the balances have been acknowledged as payable by the customers and are within credit limits set up for the respective customers The ageing of these receivables is as follows

Group and Company	2011 £'000	2010 £ 000
Up to three months	92	58
	92	58

The carrying value of receivables that would have been past due or impaired but whose terms have been renegotiated is £nil (2010 £nil)

Receivables that are neither past due or impaired are within credit limits for the respective customer and having made reasonable enquiries the directors are not aware of any reasons that indicate the amounts due are disputed or not collectable

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable shown above The Group does not insure debtors or hold any collateral as security

The Company's receivable due from subsidiaries of £903k (2010 £903k) is fully impaired

The carrying amounts of the Group's and Company s receivables are denominated in the following currencies

Group and Company	2011 £'000	2010 £ 000
Pounds sterling	233	224
Euro	-	14
	233	238

14 Trade and other payables

Group and Company	2011 £'000	2010 £ 000
Trade payables	101	100
Other payables	2	3
Other taxes and social security	26	22
Accruals	109	113
	238	238

Trade and other payables are non-interest bearing There is no material difference between the carrying amount and the fair value of trade and other payables

Notes forming part of the Financial Statements
for the year ended 31 December 2011 *(continued)*

15 Financial risk management

The Group's financial instruments comprise cash and various items such as trade receivables, trade payables etc that arise directly from its operations The main purpose of these financial instruments is to finance the Group's operations The policies to address the risks associated with the Group's financial instruments are reviewed and approved by the Board, a summary of the risks is set out below

Liquidity risk

In the normal course of business the Group is exposed to liquidity risk The Group s objective is to ensure that sufficient resources are available to fund short term working capital and longer term strategic requirements This is achieved through the use of an appropriate mix of short, medium and long term deposits and investments

The ageing of group's financial liabilities and cash/cash equivalents is as follows

	3 months and under	**4 to 12 months**	**Greater than 12 months**	**2011 Total**
Financial liabilities	**(213)**	**(20)**	**(5)**	**(238)**
Cash and Cash Equivalents	**1,628**	**–**	**–**	**1,628**

	3 months and under	4 to 12 months	Greater than 12 months	2010 Total
Financial liabilities	(223)	(12)	(3)	(238)
Cash and Cash Equivalents	1,701	–	–	1 701

Credit risk

Credit risk principally arises on cash deposits and trade receivables The credit risk arising on cash deposits is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies The credit risk arising on trade receivables is assessed on each individual customer taking into account independent ratings, its financial position, past experience and other factors

The Board's investment strategy for its cash investments is that no more than £1m would be place on deposit with any one institution and that all institutions should be rated AA or better for long term investments and A1+ for short term investments The Board keeps this situation under review in the light of new developments

Interest rate risk

The Group does not believe that its financial stability is threatened because of an exposure to interest rate risks and consequently does not hedge against them The Board keeps these risks under regular review

Foreign currency risk

It is recognised that the Group has a growing exposure to the foreign currency risks as export levels rise and it is appropriate to use spot and forward foreign exchange contracts, as part of its strategy for foreign currency risk management, to protect the value of the trading margins and cashflow At the year end the exposures in the balance sheet amount to £35k (2010 £23k)

The fair values of the financial assets and liabilities are not materially different from their book values

16 Capital risk management

The Group establishes credit limits for all financial instruments taking into account independent ratings, past experience and other factors The Group s investment policy is to invest in fixed rate/low risk investments where the capital element is not at risk to market changes The capital risk of cash deposits is further reduced by spreading investment across a number of banks

Notes forming part of the Financial Statements
for the year ended 31 December 2011 *(continued)*

17 Share capital

	2011 Number	2011 £'000	2010 Number	2010 £'000
Issued, called up and fully paid				
Ordinary shares of 1p each	**51,112,581**	**511**	51,112,581	511
Authorised share capital				
Ordinary shares of 1p each	**78,000,000**	**780**	78,000,000	780
Preference shares of £1 each	**220,000**	**220**	220,000	220
		1,000		1 000

18 Commitments under operating leases

Outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows

Group and company	Land and buildings 2011 £'000	Land and buildings 2010 £'000	Other 2011 £'000	Other 2010 £'000
Within one year	**71**	71	**18**	26
In the second to fifth years inclusive	**286**	286	**8**	26
After five years	**-**	72	**-**	-
	357	429	**26**	52

19 Contingent liabilities

Included within cash and cash equivalents is a deposit for £250 000 that is used as collateral for bank facilities provided by HSBC plc Bank facilities provided by HSBC plc include a bank guarantee issued to Highbridge (Houndhill) Industries Limited for £142,920 being a rolling two years rent on the manufacturing facility at Rotherham The Company entered the lease on 11 March 2002 for an initial period of fifteen years which ends on 10 March 2017

In April 2007 the Company introduced a Bonus Scheme for all employees, excluding Executive Directors that were in the Company s employment at that time to reward loyalty and commitment to the Company and their contribution in achieving break-even in a half year accounting period Seven employees will receive a total of £33k The break-even condition is after bearing a charge for the costs of the bonus

Under the terms of the Unilateral Concession arrangement between Mr Bettles and the Company, the total salary forgone to 31 December 2011 was £13k (2010 £2k) Had the profit performance criteria been achieved as at 31 December 2011, the value of the concessionary bonus payment would have been £32k (2010 £4k) For every 12 months that the arrangement is in place beyond 31 December 2011 the salary foregone increases at an annual rate of £11k and the concessionary bonus payment will increase at an annual rate of £28k For the bonus payment to payout the profit criteria is after bearing a charge for the cost of the concessionary bonus arrangement

Under the terms of an agreement with Collins Stewart Europe Limited dated 18 January 2011 the annual retainer for NOMAD services were reduced from £30k to £15k In the event that the Company's share price achieves a pre-determined amount as a result of a corporate transaction or shareholders receive aggregate payments in excess of a pre-determined amount a further sum equal to twice the new retainer paid or payable from 1 January, 2011 shall become payable Had either of these conditions been satisfied at 31 December 2011 the value of the amounts due would have been £30k

During the normal course of business, the Company offers warranties against clearly defined performance specifications

Notes forming part of the Financial Statements

for the year ended 31 December 2011 *(continued)*

20 Share-based payments

During the year 622 390 share options time expired or were forfeited

The number of share options that are in issue at 31 December 2011 is 1,104,907 (31 Dec 2010 1,727 297) of which 1,104 907 (31 Dec 2010 1,727,297) were exercisable at 31 December 2011 The exercisable share options have strike prices of between 10p and 222p, with a weighted average exercise price of 46 6p (2010 42 4p)

The weighted average contractual life of all outstanding share options on 31 December 2011 is 4 7 years (31 December 2010 3 8 years)

The expense recognised in the year from equity settled share-based payments was £ nil (2010 £nil)

There were no cash settled share-based payment transactions

On 18 January 2012, following discussions with and the agreement of major shareholders 1,425,000 share options with a strike price of 5p were issued to executive directors and a senior manager as follows

N Bettles	900,000
ID Smith	350 000
N Hollingworth	175,000

The fair value of the share options granted on18th January 2012 was determined by the Black-Scholes pricing model at £21k and this will be recognised on a straight-line basis over the three year vesting period The key assumptions used were the share price at the date of issue, the strike price of the options life of the options historic volatility and benchmarking other AIM listed companies

21 Related party transactions

Key management

Key management comprise the Group's executive and non-executive directors Remuneration of executive and non-executive directors is set out in note 4 and the Remuneration Report on page 10 There were no other transactions with key management

Company – transactions with subsidiaries

Amounts due from Inditherm (Medical) Limited at 31 December 2011 of £903k (2010 £903k) have been provided for in full

Other Shareholder Information

SHAREHOLDER ENQUIRIES

Shareholder enquiries should be directed to the Company s registrars Capita Registrars, PXS 34 Beckenham Road, Beckenham, Kent, BR3 4TU (telephone 0871 664 0300 calls cost 10p per minute plus network extras lines are open 8 30am to 5 30pm, Monday Friday, email ssd@capitaregistrars com)

FINANCIAL DIARY

Announcement of 2011 annual results	29 March 2012
Annual General Meeting	24 April 2012
Announcement of 2012 interim results	27 September 2012
Announcement of 2012 annual results	28 March 2013

CAPITA REGISTRARS

The Company s registrars, Capita Registrars, provide a number of services that, as a shareholder, might be useful to you

Registrar's On-Line Service

By logging onto www capitashareportal com and following the prompts, shareholders can view and amend various details on their account You will need to register to use this service for which purpose you will require your unique investor code, which can be found on your share certificate

Share Dealing Services

Capita offers an on-line and telephone share dealing service which is available by logging on to www capitadeal com or telephoning 0871 664 0346 (calls cost 10p per minute plus network extras, lines are open 8 00am to 4 30pm, Monday - Friday) For the on-line service, Capita's commission rates are 1% of the value of the deal (minimum £20 00, maximum £75) and for the telephone service Capita's commission rates are 1 50% of the value of the deal (minimum £25 00, maximum £102 50)

Duplicate Share Register Accounts

If you are receiving more than one copy of our report it could be your shares are registered in two or more accounts on our register of members If that was not your intention, please contact Capita who will be pleased to merge your accounts

Notice of Annual General Meeting

Notice is given that the 2012 Annual General Meeting of the Company will be held at The Cusworth Suite, Holiday Inn Doncaster A1(M) Junction 36 High Road Warmsworth, Doncaster, South Yorkshire, DN4 9UX on Tuesday 24 April 2012 at 12 00pm for the following purposes

ORDINARY BUSINESS

1 To receive and adopt the accounts of the Company for the year ended 31 December 2011 together with the Directors Report and the Auditors Report and to consider the recommendation of the directors that no dividend be declared in respect of the year

2 To reappoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next general meeting of the Company at which accounts are laid before the members and to authorise the directors to determine their remuneration

3 To re-appoint Mr Mark Abrahams, retiring by rotation, as director in accordance with the provisions of the Articles of Association

SPECIAL BUSINESS

To consider and if thought fit pass the following resolutions, of which Resolutions 4 and 6 will be proposed as an ordinary resolution and Resolution 5 will be proposed as a special resolution

4 Generally and unconditionally to authorise the Directors (subject to the passing of Resolution 5 below and in substitution for all existing authorities) to exercise all the powers of the Company to allot relevant securities within the meaning of Section 551 the Companies Act 2006 the Act') up to an aggregate nominal amount of £25 000 Such authority will expire at the conclusion of the Annual General Meeting next following the passing of this Resolution or, if earlier, 15 months after the date of this Ordinary Resolution Nevertheless the Company may before the expiry of the authority conferred hereby make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the authority conferred hereby and the directors may allot the relevant securities, in pursuance of such offer or agreement, as if the authority conferred hereby had not expired

5 To empower the directors (subject to the passing of Resolution 4 above) pursuant to Section 571 the Act to allot equity securities (as defined in Section 560 the Act) pursuant to the authority conferred by Resolution 5 as if sub-section (1) of Section 561 the Act did not apply to the allotment of equity securities for cash up to an aggregate nominal amount of £25,000

6 The directors seek shareholder approval to empower the directors to extend The Inditherm plc Enterprise Management Incentive Scheme for 10 years The scheme was initially adopted by the Company on 10 December 2001 and ran for a 10-year period, expiring on 10 December 2011 Following discussions with and the agreement of major sharholders, the Board of Directors (under the rules of the scheme) extended this for 12 months but is now seeking shareholders' approval to extend the scheme, otherwise unchanged, for a further period through to 10 December 2021

By Order of the Board
ID Smith
Secretary
29 March 2012

Registered Office
Inditherm House
Houndhill Park
Bolton Road
Wath-upon-Dearne
S63 7LG

Notice of Annual General Meeting
continued

NOTES

1 Members entitled to attend and vote at the Annual General Meeting are entitled to appoint one or more proxies to attend and upon a poll, vote in their place A proxy need not be a member of the Company To appoint more than one proxy you may photocopy the Proxy Form Please indicate next to the proxy holder's name, the number of shares in relation to which you authorise them to act as your proxy and complete all voting instructions Please also ind cate by ticking the box provided if the proxy is one of multiple instructions being given All such Proxy Forms should be returned together in the same envelope

2 To be valid a proxy form together with any power of attorney or other written authority under which it is signed or a duly certified copy of it (failing previous registration with the Company) must be lodged with the Company's registrar, Capita Registrars PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 12 00pm on 20 April 2012 Completion and return of proxy forms will not preclude shareholders from attending and voting at the Meeting in person should they wish to do so

3 Only holders of ordinary shares or their proxies are entitled to attend and vote at the Annual General Meeting

4 In the case of a corporation this form of proxy must be given under its common seal or signed by two directors or by a director and the secretary or signed on its behalf by an attorney or a duly authorised officer of the corporation

5 In the case of joint holders, any one of them may sign but the names of all joint holders should be stated The vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined

6 The withheld option on the Proxy Form is provided to enable you to abstain on any particular resolution However a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes 'For" and 'Against' a resolution

7 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 24 April 2012 and any adjournment(s) thereof by using the procedures described in the CREST Manual CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual The message must be transmitted so as to be received by the Company's agent, Capita Registrars Limited (CREST Participant ID RA10) no later than 48 hours before the time appointed for the meeting For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST

CREST members and where applicable their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection CREST members and where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

8 In accordance with regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than close of business on 20 April 2012 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting

Financial Calendar

- **Preliminary Announcement** – March
- **Annual General Meeting** – May
- **Half Year End** – June
- **Interim Announcement** – September
- **Year End** – December

Headquarters and Registered Office

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