

3 587 944

# ***INDITHERM*** plc

Annual Report &  
Financial Statements  
**2012**

FRIDAY



\*A283G7MR\*

A38

10/05/2013

#61

COMPANIES HOUSE

## Contents

1	Inditherm at a Glance
1	Inditherm – Target Markets
2	Directors and Advisers
3	Chairman's Statement and Chief Executive's Review
7	Directors and Board Committees
8	Statement of Corporate Governance
10	Remuneration Report
14	Statement of Directors' Responsibilities
15	Report of the Directors
18	Independent Auditors' Report to the Members of Inditherm plc
20	Consolidated Statement of Comprehensive Income
21	Consolidated and Company Balance Sheet
22	Consolidated and Company Statements of Changes in Shareholder Equity
22	Consolidated and Company Cashflow Statement
23	Notes forming part of the Financial Statements
39	Other Shareholder Information
40	Notice of Annual General Meeting

## 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 improving intravenous treatments such as chemotherapy. Patient warming products are primarily used in operating theatres, recovery and intensive care, accident & emergency and neonatal areas. They offer improved clinical performance, combined with significant cost savings over traditional technologies. Products are sold in the UK via a direct sales force with support of regional distributors and internationally through a network of distributors.

### Industrial

In the Industrial market, Inditherm specialises in providing heating solutions for critical temperature management and frost protection for pipelines, portable storage containers, tanks, valves and pumps. The company currently focuses its attention on standard products for heating containers such as industry standard IBCs and drums. The bespoke solutions business sector, which targets processes such as confectionery manufacture, is handled by a partner organisation, ADI Group with Inditherm supplying the heating elements.

In construction applications Inditherm has developed solutions to accelerate concrete curing. Our technology can provide the benefit of improved cycle times, reduction in lost production, avoiding project delays and significant savings on energy and cement costs.

## Directors and Advisers

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

## Chairman's Statement & Chief Executive's Review

### Overview

As indicated at the interim stage, the sales for 2012 were similar to those of the prior year. This apparent slowing of revenue growth was caused by the increased order conversion times, particularly in the NHS. Orders which we would have expected to receive in 2012 were delayed and received in early 2013. Accordingly, we believe that the apparent slowing of growth is caused by general and specific economic circumstances rather than a dampening of enthusiasm for our products. Indeed, we continued to grow enquiry levels in the UK, helped by the positive influence of the recommendations from the National Institute for Health & Clinical Excellence (NICE) for our operating theatre products.

In the Medical export sector market conditions remain challenging in many countries, largely mirroring the UK situation, however we have increased our resources in this area of the business and have seen an encouraging start to 2013.

The arrangement with ADI Group for the industrial process solutions sector has continued to deliver growth and despite a downturn for our own standard products in 2012 we have maintained sales levels for the Industrial segment. These activities continue to provide a positive contribution without affecting our focus on the core medical business.

Although turnover for the business held steady despite difficult market conditions, losses increased slightly due to reduced margins. This arose from our decision to maintain a manufacturing organisation geared for turnover levels consistent with profitable operation and retain a loyal workforce in order to meet future orders, which have now been received. In light of projects that have now matured we believe that this decision was appropriate.

We remained almost cash neutral for the year.

### Results

The turnover for the year was almost static at £1,673k (2011: £1,659k). Gross profit fell 4% to £960k (2011: £1,000k) due to excess manufacturing capacity for the reasons stated above.

Overheads increased by just over 1% during the year to £1,146k (2011: £1,131k), resulting in an operating loss of £186k (2011: £131k). The post-tax loss on continuing activities was £164k (2011: £108k).

The year end cash and cash equivalents balance was £1,578k (2011: £1,628k), representing a reduced outflow of £50k (2011: £73k), reflecting prudent control and lower than normal working capital.

### Sales and Marketing

Overall Medical revenue in 2012 grew by 3%, reflecting the protracted decision making and uncertainty in the NHS and similar characteristics in many overseas markets. However we have seen some sizeable orders placed in the first quarter of 2013, some delayed from last year along with business originally expected later this year, highlighting the uncertainty of the process timescales for our UK business but giving a welcome boost.

In the UK Medical sector our sales team delivered a significant increase in enquiry levels through the year, helped by the credibility that the recommendations from NICE have given us. Nevertheless the market for capital equipment sales into the NHS is far from buoyant and buying patterns are characterised by delays in decision-making. We have seen a number of major projects delayed, and more recently one brought forward and this makes forecasting difficult and the order flow uneven. Despite this we managed to grow our UK order levels by just under 10% in 2012, helped by strong performance in the neonatal sector where we have built a strong market position. An increasing number of NHS hospitals are now using Inditherm as their primary surgical patient warming system and this should help us to continue our market penetration as confidence grows.

## Chairman's Statement & Chief Executive's Review (continued)

With a broad base of international distributors now established, we have started to address territories where our partners are under-performing. In some cases this can result in delivering the perioperative and neonatal ranges through different channels and in others we are in the process of introducing new distributors. The lack of order growth in our export business was partly due to market conditions but also influenced by fewer larger orders being secured in 2012 than the previous year. This variability in order patterns can be expected as our distributor network is maturing. However we believe that we can restore export growth in the year ahead and have been taking action to strengthen our distribution in some regions and increase our resource for export activity.

Largely due to our own constraints we saw no advance in the USA during the year, but we will continue to seek any new opportunity that would allow progress within our limited resources available. We continue to see this market as potential future up-side to our medium term plans, but will ensure that the allocation of resources is proportionate and does not therefore threaten our overall export growth.

In our Industrial business we have seen an increase in revenue from the ADI Group for standard heating pads and jackets used in their process solutions activity, which is providing a valuable revenue stream. This offsets a relatively disappointing performance with our own standard industrial product sales, where we have now increased promotional activities to re-invigorate market activity. With the minimal overhead structure, the Industrial sector continues to make a worthwhile contribution to the overall business.

A number of the OEM opportunities that we have been pursuing with other manufacturers have moved forward during the year. Some of these are expected to reach implementation of our partners' product launches towards the end of 2013, with our technology integrated, and at this point the level of commitment and order quantities should become clearer. These projects represent good potential for additional growth for the future, and wider Inditherm brand recognition.

### **Product Development**

We have continued to expand our product ranges during the year, with particular focus on the neonatal sector and some broadening of our operating theatre and emergency room range. We believe that these new additions will improve growth opportunities and increase the size of the markets we can access within our existing area of expertise and channels to market.

We have introduced a range of neonatal accessory products that have attracted good attention and raised our profile and image in this area. These products offer good scope for continued repeat business and whilst the total value of the market is relatively modest it is also likely to have a positive impact on the higher value equipment business.

We have completed the development and release of our LifeStart product for use in obstetrics and this has already attracted attention in the market. The product is designed to facilitate resuscitation of a newborn baby with the umbilical cord intact (delayed cord clamping), which is a technique that is now recommended in most national and international guidelines. First orders have been secured and the long term potential market size could be significant in relation to our existing business areas.

# Chairman's Statement & Chief Executive's Review

*(continued)*

## Operations

Our production capacity has been maintained at a level that can support the volumes anticipated in our growth plans, having increased headcount in the second half of 2011. Whilst this has had some impact on margins in 2012, we believe it is important that we have retained the key skills needed and this has been well demonstrated by the production levels required in the first quarter of 2013 to meet critical delivery deadlines related to the end of the NHS financial year. We have maintained a dedicated and adaptable production team that allows us to react to variations in product demand.

We have strengthened our sales and marketing team during the last year and this is starting to show signs that it will have a positive impact on our results. 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.

## 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 2012 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. As stated above we have adopted a policy of retaining our loyal staff through the short term peaks and troughs of demand. This has rewarded us in 2013 as we hit a busier period. On behalf of the Board, we thank our staff most sincerely for their continued support.

## Outlook

Despite continuing uncertainty in the UK NHS, which appears to be mirrored in parts of Europe, we have seen some orders deferred. We believe that business we have been pursuing will be secured and this has been borne out in recent months. We have received UK orders in the first quarter of 2013 that are already more than double the same period last year and over two thirds of the total achieved in the whole of 2012. The compelling arguments for Inditherm's cost saving potential in the operating theatre area, backed by the NICE recommendations, are likely to continue to attract increasing attention from the NHS in its current economic situation. The lumpy nature of the business does not allow us to project the successes of the first quarter at the same rate, but it does give considerable cause for optimism that we can deliver growth in the UK sector in the year ahead.

Notwithstanding the static performance in the export sector of our Medical business in 2012, we have a number of initiatives in progress that should allow us to resume export growth this year. Difficult economic conditions continue in many markets and, as with the UK, buying patterns are expected to be somewhat variable. We have a continuously strengthening overseas distribution network and this gives cause for confidence of returning the export business to growth in the year ahead. The USA continues to represent a relatively small proportion of our total sales, but we will pursue any opportunities reactively, whilst maintaining a balanced use of our resources.

## Chairman's Statement & Chief Executive's Review (continued)

We have continued to progress a number of potential projects involving the use of Inditherm technology in third party products (OEM). We remain optimistic that some of these will reach a successful conclusion in the second half of this year. As well as being a useful revenue generator in their own right, they also have the potential to increase the market awareness of Inditherm.

We plan to build our market presence for the Industrial standard product business through the year, within the limits imposed by containing overheads in this sector. We anticipate that the ADI Group have the capability to deliver further growth, although our plans assume this will be modest in relation to the overall business.

The Company has enjoyed a profitable start to the current year and this gives us cause to be optimistic that we can return to a more attractive growth rate.



**MARK ABRAHAMS**

*Chairman*

28 March 2013



**NICK BETTLES**

*Chief Executive*

28 March 2013



## Directors and Board Committees

### Directors

*Mark Abrahams (Aged 58, 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. He is a member of the Economics Advisory Committee of the CBI.

*Nick Bettles (Aged 57, 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 66) \**

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 56, Finance Director and Company Secretary)*

Ian joined the Company in January 2004, 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**

Mark Abrahams *Chairman*  
John Markham

#### **Remuneration committee**

John Markham *Chairman*  
Mark Abrahams

#### **Nominations committee**

Mark Abrahams *Chairman*  
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 in 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 and ISO 13485
- 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 Remuneration Committee comprises 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 a rolling 6 month contract. 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 each individual case.

Mark Abrahams, Chairman, has a letter of appointment for a 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 28 March 2013	Notice period
MS Abrahams	21 months	12 months
JH Markham	24 months	12 months
ND 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
ND 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 target bonus for achievement of the annual budget for these measures 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

For the period 1 November 2010 until 30 April 2012, certain board members had made unilateral concessions with regard to their salaries.

#### Mark Abrahams

Mr Abrahams had made a voluntary concession to reduce his monthly remuneration by 10%. During the 18-month period in which the concession was in operation, the remuneration forgone was £5,250.

#### John Markham

Mr Markham had made a voluntary concession to reduce his monthly remuneration by 10%. During the 18-month period in which the concession was in operation, the remuneration forgone was £3,375.

# Remuneration Report

(continued)

## Nick Bettles

Mr Bettles had made a voluntary concession to reduce his monthly remuneration by 10%. During the 18-month period in which the concession was in operation, the remuneration forgone was £16,506.

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 certain profit criteria are achieved or if the business, or part thereof, is sold for sufficient value. The cost of this to the Group (including Employees National Insurance) will be £46,960. No provision has been made for this cost in the results to 31 December 2012. This item is disclosed in Note 18 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	2012 Total £'000	2011 Total £'000
MS Abrahams	34	–	–	–	34	32
JH Markham	22	–	–	–	22	20
ND Bettles	106	–	5	13	124	122
ID Smith	91	–	5	13	109	113
	253	–	10	26	289	287

Contributions to a defined contribution pension scheme were paid on behalf of 2 directors (2011: 2) during the year. No directors exercised share options during the current or previous year.

The increase in emoluments in 2012 reflects the ending of the voluntary concessions.

## Interests in share options

Details of options held by directors at 31st December 2012 are set out below:

	Date of grant	Option price	2012 Number	2011 Number
ND Bettles	18/01/2012	5p	900,000**	–
ND Bettles	27/05/2008	10p	400,000*	400,000*
ID Smith	18/01/2012	5p	350,000**	–
ID Smith	27/05/2008	10p	200,000*	200,000*
ID Smith	02/04/2004	52.5p	100,000	100,000

\* 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 and 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. Subject to a performance criterion that requires the Company to have made an operating profit (before exceptional items) in the audited financial accounts for the preceeding 12 month period prior to exercise of the options. There are also provisions which may allow exercise of the Options in the event of a change of control, subject to the agreement of the Remuneration Committee.

The market price of the Company's shares at 31 December 2012 was 3.38p; the range of market prices during the year was 3.38p to 4.88p.

# 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

	2012 Number of shares	2011 Number of shares
MS Abrahams	301,546	301,546
JH Markham	29,366	29,366
ND Bettles	4,444	4,444
ID Smith	54,444	54,444

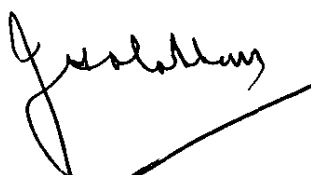
There have been no post year-end changes to these holdings

All directors' interests are beneficially held

**JOHN H MARKHAM**

*Chairman, Remuneration Committee*

28 March 2013



## 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 Report of the Directors 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*



28 March 2013



# Report of the Directors

## for the Year ended 31 December 2012

The directors present their Annual Report together with the Group's audited financial statements for the year ended 31 December 2012

### 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 2012 and the Board does not expect to declare a dividend during the company's continuing development (2011: £nil)

### Principal activity and business review

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

### Principal risks and uncertainties

The Group has a formal process for identifying 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  
The Group's board review on a monthly basis the level of orders received, the absolute level of prospects being pursued, and through a weighted scoring system the quality, and timing of future prospects.
- Liquidity and going concern  
The Group's board review on a monthly basis the Group's cashflow statement and the associated performance ratios for inventories, receivables and payables. Closure liabilities are calculated and updated monthly and compared with the cash resources in hand.
- Polymer production and development programme  
Whilst polymer production runs are on average currently done once a year because of the current usage and batch size needed to utilise the coating equipment, there is an ongoing programme of work involving the contract mixers and coating suppliers to reduce set up wastage, improve the quality and consistency of the resistance of polymer over the full length of the run.
- Patents infringement  
The Group constantly surveys the market for similar technologies and maintains a close contact with all its markets to ensure that if something is seen that may appear to be comparable with Inditherm it is investigated from both a technical and patent law perspective.

### Key Performance Indicators

The board of directors monitor the following key performance indicators in absolute and relative terms

	2012	2011
Order growth rate (Year on year)	-1%	16%
Small decline in orders received in both segments during 2012		
Gross profit % (Annual percentage)	57%	60%
Small change in Gross profit as a result of the decision to retain production staff needed to meet future demand and growth		
Overheads	£1,146k	£1,131k
There is an on-going drive to contain overhead costs as the business strives to become profitable		
Cash resources available	£1,578k	£1,628k
Cash resources to finance operations through to breakeven		

### Directors

The directors of the Company who served during the year and up to the date of signing the report are shown on page 7.

# Report of the Directors

for the Year ended 31 December 2012 *(continued)*

## Substantial interests

At 26 March 2013 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
DG Steward	15,050,000	29.4%
P O'Grady	4,847,936	9.5%
Allianz Cornhill Insurance plc	4,600,000	9.0%
Amati VCT 2 plc	2,500,000	4.9%
Aviva plc	2,122,085	4.2%
First Phoenix VCT plc	3,400,000	6.7%
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 payables within the normal commercial terms of trade agreed with each supplier. The number of days' purchases represented by the Group and Company trade payables at the year end was 42 (2011: 42).

## Research and development

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 statements comprise cash and various items such as trade receivables, trade payables, other payables, other taxes and social security payables that are 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 in respect of UK customers 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 2012 *(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 Group'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 such as currency options. 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 14.

### 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

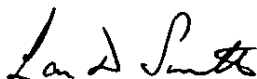
- Resolution 4 in the Notice of Annual General Meeting on page 40 renews the authority of the Directors to allot relevant securities. The nominal amount of securities to which the authority relates is £25,000, which represents approximately 5% of the Company's current issued share capital. Such authority 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 waves 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 £25,000, 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.

The directors believe that the two 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

Company secretary



28 March 2013

# Independent Auditors' Report to the Members of Inditherm plc

We have audited the Consolidated and Company financial statements (the "financial statements") of Inditherm plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Shareholder Equity and Consolidated and Company Cash Flow Statement and 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 parent 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 Statement of 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 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. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## 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 2012 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

*A. Ahmad*

Anif Ahmad (Senior Statutory Auditor)

for and on behalf of **PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Leeds

28 March 2013

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

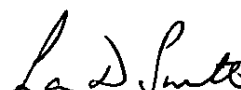
	Notes	2012 £'000	2011 £'000
<b>Revenue</b>	2	<b>1,673</b>	1,659
Cost of sales		<b>(713)</b>	(659)
<b>Gross profit</b>		<b>960</b>	1,000
Administrative expenses		<b>(1,146)</b>	(1,131)
<b>Operating loss</b>	4	<b>(186)</b>	(131)
Finance income	5	<b>10</b>	10
<b>Loss on ordinary activities before taxation</b>		<b>(176)</b>	(121)
Taxation	6	<b>12</b>	13
<b>Loss for the year attributable to the owners of the parent company</b>		<b>(164)</b>	(108)
<b>Loss per share from total Inditherm Group attributable to the owners of the parent company during the year - basic and diluted</b>			
	7	<b>(0.3p)</b>	(0.2p)

All recognised gains and losses are included in the Consolidated Statement of Comprehensive Income. As such there is no other comprehensive income.

The notes on pages 23 to 38 are an integrated part of these consolidated financial statements.



**ND Bettles**  
Director



**ID Smith**  
Director

# Consolidated and Company Balance Sheet

as at 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	23	26
Intangible assets	9	23	50
		<b>46</b>	<b>76</b>
<b>Current assets</b>			
Inventories	11	179	165
Trade and other receivables	12	216	233
Current tax asset		12	13
Cash and cash equivalents		1,578	1,628
		<b>1,985</b>	<b>2,039</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(311)	(238)
		<b>(311)</b>	<b>(238)</b>
<b>Net current assets</b>		<b>1,674</b>	<b>1,801</b>
<b>Net assets</b>		<b>1,720</b>	<b>1,877</b>
<b>Shareholders' equity</b>			
Share capital	16	511	511
Share premium account		9,929	9,929
Share based payment reserve	19	141	134
Accumulated losses		(8,861)	(8,697)
<b>Total equity</b>		<b>1,720</b>	<b>1,877</b>

The financial statements on pages 20 to 38 were approved by the Board of Directors on 28 March 2013 and signed on its behalf by



**ND 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 2011	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
Credit for Share based payments	-	-	7	-	7
Loss for the year	-	-	-	(164)	(164)
<b>At 31 December 2012</b>	<b>511</b>	<b>9,929</b>	<b>141</b>	<b>(8,861)</b>	<b>1,720</b>

## Consolidated and Company Cash Flow Statement for the year ended 31 December 2012

<b>Group and Company</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Net operating loss for the period</b>	<b>(186)</b>	<b>(131)</b>
Share based payments	7	-
Profit on disposal of property, plant and equipment	-	(4)
Depreciation and amortisation	41	64
Written off development costs	3	-
Increase in inventories	(14)	(33)
Decrease in trade and other receivables	17	5
Increase in trade and other payables	73	-
Interest received	10	10
Tax refund	13	32
<b>Net cash outflow from operating activities</b>	<b>(36)</b>	<b>(57)</b>
<b>Cash flow from Investing activities</b>		
Purchase of property, plant and equipment	(14)	(7)
Capitalised development costs	-	(13)
Sale of property, plant and equipment	-	4
<b>Net cash used in investing activities</b>	<b>(14)</b>	<b>(16)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(50)</b>	<b>(73)</b>
Cash and cash equivalents at the beginning of the period	1,628	1,701
<b>Cash and cash equivalents at the end of the period</b>	<b>1,578</b>	<b>1,628</b>



# Notes forming part of the Financial Statements

## for the year ended 31 December 2012

### 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 (IFRSs) as adopted by the European Union (EU), 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 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 2012 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 £164k (2011 £108k 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 revenue 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

The key area where management have to make estimates in order to determine the revenue to be recognised is in respect of maintenance contracts. The future income to be recognised on maintenance contracts was £45k at 31 December 2012 and the potential impact on profitability in the next 12 months could be in the range plus or minus 10% of the gross value.

- Warranty provisions

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. The estimated cost of work to be performed under warranty on items sold by the Group would be provided if management were aware of any field issues that need rectification. At 31 December 2012 and 2011 management were not aware of any field issues.

# Notes forming part of the Financial Statements

for the year ended 31 December 2012 *(continued)*

## 1 Accounting Policies (continued)

- Allowances against the valuation of inventories  
Where stock has become obsolete or is slow moving a provision is made to write the stock down to reflect management's estimate of net realisable value. Slow moving stock is identified by reference to historic usage and when products are made obsolete the appropriate components are identified at the time and fully provided against.
- Deferred taxation  
Note 6 Taxation explains the potential deferred tax assets which have not been recognised due to uncertainty and on-going operating losses.

### 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 2012 that would be expected to have a material impact on the Group.

### New accounting standards and IFRIC interpretations

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted are:

- IAS 12, 'Income taxes' – deferred tax accounting for investment properties
- IAS 1, 'Presentation of financial statements' – presentation of items of other comprehensive income
- IAS 19, 'Employee benefits'
- IAS 27 (revised), 'Separate financial statements'
- IAS 28 (revised), 'Associates and joint ventures'
- IFRS 1, 'First-time adoption' – government loans
- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'
- IAS 32, 'Financial instruments: Presentation'
- IFRIC 20, 'Stripping costs in the production phase of a surface mine'

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.

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.

### Employee benefits

The Group operates a stakeholder pension scheme and contributions are also paid into employees' personal pension schemes. Contributions are charged to the Consolidated 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

### Research and development costs

### Product development costs

## Leases

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 Consolidated Statement of Comprehensive Income over the term of the contract.

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 Consolidated Statement of Comprehensive Income.

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

# Notes forming part of the Financial Statements

## for the year ended 31 December 2012 *(continued)*

### 1 Accounting Policies (continued)

#### Intangible assets

Intangible assets are recognised if it is possible 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 or depreciation 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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 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 substantively 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, work in progress and finished goods 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 bringing 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 initially recognised at fair value and subsequently at amortised cost. 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.

# Notes forming part of the Financial Statements

## for the year ended 31 December 2012 *(continued)*

### 1 Accounting Policies (continued)

#### 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

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

#### 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'

#### 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 Segmental analysis

Inditerm'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.

## Notes forming part of the Financial Statements for the year ended 31 December 2012 *(continued)*

### **2 Segmental analysis (continued)**

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 (IFRSs).

#### **Medical**

The Medical segment of 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 its 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 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 our partner organisation, ADI Group, with Inditherm supplying the heating elements.

# Notes forming part of the Financial Statements

for the year ended 31 December 2012 *(continued)*

## 2 Segmental analysis (continued)

### Central and Unallocated costs (Central costs)

This segment includes the costs of the Board of Directors, costs attributable to the business's 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 done because it is the Board's opinion that it would be too subjective and could lead to distorted decision making.

Segmental information for the year ended 31 December 2012 and 2011 is as follows

2012	Industrial Standard Product £000's	Medical £000's	Central and Unallocated costs £000's	Total £000's
Orders	232	1,385	-	1,617
Revenue	236	1,437	-	1,673
Operating profit/(loss)	55	433	(674)	(186)
Trade receivables	42	133	-	175
2011	Industrial Standard Product £000's	Medical £000's	Central and Unallocated costs £000's	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

### Reconciliation of segmental operating loss for the year attributable to the owners of the parent company

	2012 £000's	2011 £000's
Operating loss	(186)	(131)
Finance income	10	10
Taxation	12	13
Loss for the year attributable to the owners of the parent company	(164)	(108)

### Reconciliation of Segmental trade receivables to total net assets

	2012 £000's	2011 £000's
Total Trade receivables (note 12)	175	198
Prepayments and accrued income	41	35
Property, plant and equipment	23	26
Intangible assets	23	50
Inventories	179	165
Current tax asset	12	13
Cash and cash equivalents	1,578	1,628
Trade and other payables	(311)	(238)
Net Assets	1,720	1,877

### Geographical analysis of revenue

	2012 £000's	2011 £000's
UK	836	732
Rest of the World	837	927
	1,673	1,659

## Notes forming part of the Financial Statements

for the year ended 31 December 2012 *(continued)*

### 3 Employees

Group	2012 £000's	2011 £000's
Aggregate employee costs are as follows		
Wages and salaries	688	615
Social security costs	79	72
Other Benefits	27	27
Pension costs – defined contribution schemes	19	15
Share based payment	7	–
<b>Total</b>	<b>820</b>	<b>729</b>

Employee costs included the costs of the executive directors but not the Non-executive directors

Monthly average number of persons including Executive Directors employed

	2012 Number	2011 Number
Management and Administration	4	4
Medical Sales	7	6
Industrial Sales	1	1
Development and Quality	2	1
Production	10	8
<b>Total</b>	<b>24</b>	<b>20</b>

#### Directors' emoluments

The emoluments of the directors of the Company are

	2012 £'000	2011 £'000
Aggregate emoluments	279	277
Contributions to defined contribution pension scheme	10	10
	<b>289</b>	<b>287</b>

The emoluments of the highest paid director were £124k (2011: £122k), contributions to pension arrangements for the highest paid director were £5k (2011: £5k)

No directors exercised share options during the year (2011: none)



## Notes forming part of the Financial Statements

for the year ended 31 December 2012 *(continued)*

### 4 Operating loss

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

	2012 £'000	2011 £'000
Depreciation of property, plant and equipment – owned assets	17	26
Amortisation of intangible fixed assets	24	38
Profit on disposal of property, plant and equipment	–	4
Property lease payments	71	71
Other operating leases	31	28
Research and development costs	51	50
Grant income	–	(6)
Auditor's remuneration		
For audit services – statutory	25	25
Other services – tax fees	3	3
<b>Total – Auditor's remuneration</b>	<b>28</b>	<b>28</b>

### 5 Finance income

	2012 £'000	2011 £'000
Bank interest receivable	10	10

### 6 Taxation

#### (a) Analysis of credit in the year

	2012 £'000	2011 £'000
<i>Current tax</i>		
UK corporation tax credit – Current year	13	13
Adjustment in respect of prior year	(1)	–
	<b>12</b>	<b>13</b>

#### (b) Factors affecting tax credit for year

The tax assessed for the year is explained below

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	(176)	(121)
Loss on ordinary activities multiplied by expected rate of corporation tax of 20% (2011: 20.25%)	(35)	(25)
Effects of		
Expenses not deductible for tax purposes	3	3
Depreciation and Amortisation in excess of capital allowances not recognised as deferred tax asset	(9)	(3)
Loss utilised on Research and Development claim	10	10
Trading losses for which no deferred tax has been recognised	32	15
Adjustment in respect of prior year	(1)	–
Research and development tax credit – current year	13	13
Research and development tax credit – prior year	(1)	–
<b>Total tax credit</b>	<b>12</b>	<b>13</b>

The Research and development tax credit is effectively at an enhanced rate to the expenditure at the expected rate of corporation tax of 20% (2011: 20.25%)

# Notes forming part of the Financial Statements

for the year ended 31 December 2012 *(continued)*

## 6 Taxation (continued)

### (c) Factors that may affect future tax charges

The group has tax losses estimated at £7,069k (2011 £6,970k) available for relief against future trading profits

### Deferred taxation

The group has the following potential deferred tax assets which have not been recognised due to uncertainty and on-going operating losses

	2012 £'000	2011 £'000
Accelerated capital allowances and other timing differences	60	84
Losses	1,414	1,411
	<b>1,474</b>	<b>1,494</b>

Note that the effective future tax rate is 20% (2011 20.25%)

## 7 Loss per share

The calculation of loss per ordinary share is based on a weighted average 51,112,581 (2011 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 for the total Inditherm Group attributable to owners of the parent company is based on the loss for the year attributable to owners of the parent company of £164k (2011 £108k).

## 8 Property, plant and equipment

### Group and Company

	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
1 January 2011	232	186	58	476
Additions	1	6	–	7
Disposals	–	(3)	(48)	(51)
31 December 2011	233	189	10	432
Additions	1	13	–	14
<b>31 December 2012</b>	<b>234</b>	<b>202</b>	<b>10</b>	<b>446</b>
<b>Accumulated depreciation</b>				
1 January 2011	208	165	58	431
Depreciation charge	16	10	–	26
Disposals	–	(3)	(48)	(51)
31 December 2011	224	172	10	406
Depreciation charge	6	11	–	17
<b>31 December 2012</b>	<b>230</b>	<b>183</b>	<b>10</b>	<b>423</b>
<b>Net book amount</b>				
<b>31 December 2012</b>	<b>4</b>	<b>19</b>	<b>–</b>	<b>23</b>
31 December 2011	9	17	–	26

Depreciation of Property, plant and equipment is included within Cost of Sales within the Consolidated Statement of Comprehensive Income

## Notes forming part of the Financial Statements

for the year ended 31 December 2012 *(continued)*

### 9 Intangible assets

Group	Intellectual property rights £'000	Product development costs £'000	Total £'000
<b>Cost</b>			
1 January 2011	136	116	252
Additions	–	13	13
31 December 2011	136	129	265
Written off	–	(3)	(3)
<b>31 December 2012</b>	<b>136</b>	<b>126</b>	<b>262</b>
<b>Accumulated amortisation and impairment</b>			
1 January 2011	136	41	177
Amortisation charge	–	38	38
31 December 2011	136	79	215
Amortisation charge	–	24	24
<b>31 December 2012</b>	<b>136</b>	<b>103</b>	<b>239</b>
<b>Net book amount</b>			
<b>31 December 2012</b>	<b>–</b>	<b>23</b>	<b>23</b>
31 December 2011	–	50	50

Product development costs will be fully amortised within three years

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 Consolidated Statement of Comprehensive Income.

### 10 Investments in subsidiaries – Company

Investment in subsidiaries at cost	£
At 1 January 2012 and <b>31 December 2012</b>	<b>104</b>

Provisions of £104 have been made against the investment (2011: £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

# Notes forming part of the Financial Statements

for the year ended 31 December 2012 *(continued)*

## 11 Inventories

Group and Company	2012 £'000	2011 £'000
Raw materials	124	117
Work in progress	9	5
Finished Goods	46	43
	<b>179</b>	<b>165</b>

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

The amount charged to the Consolidated Statement of Comprehensive Income in respect of the writing down of inventories was £11k (2011 £48k). The amount credited to the Consolidated Statement of Comprehensive Income in respect of reversals of write-downs was £10k (2011 £69k). The cost of inventories recognised as an expense and included in cost of sales was £620k (2011 £594k).

## 12 Trade and other receivables

Group and Company	2012 £'000	2011 £'000
Trade receivables	175	198
Prepayments and accrued income	41	35
	<b>216</b>	<b>233</b>

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 £nil (2011 £1k), 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	2012 £'000	2012 £'000
At 1 January	1	5
Provision made for impaired receivables	-	-
Unused provision reversed	(1)	-
Receivables written off during the year as uncollectable	-	(4)
<b>At 31 December</b>	<b>-</b>	<b>1</b>

Other receivable balances do not contain impaired assets.

At 31 December 2012 trade receivables of £nil (2011 £1k) were impaired. The amount of provision was £nil (2011 £1k).

The ageing of these receivables is as follows:

Group and Company	2012 £'000	2011 £'000
Under one year	-	-
Over one year	-	1
	<b>-</b>	<b>1</b>

## Notes forming part of the Financial Statements

for the year ended 31 December 2012 (continued)

### 12 Trade and other receivables (continued)

At 31 December 2012 trade receivables of £61k (2011: £92k) 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	2012 £'000	2011 £'000
Up to three months	59	92
Between four and twelve months	2	–
	<b>61</b>	<b>92</b>

The carrying value of receivables that would have been past due or impaired, but whose terms have been renegotiated is £nil (2011: £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 receivables or hold any collateral as security.

The Company's receivable due from subsidiaries of £903k (2011: £903k) is fully impaired.

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

Group and Company	2012 £'000	2011 £'000
Pounds sterling	211	233
Euro	5	–
	<b>216</b>	<b>233</b>

### 13 Trade and other payables

Group and Company	2012 £'000	2011 £'000
Trade payables	119	101
Other payables	3	2
Other taxes and social security	25	26
Accruals	164	109
	<b>311</b>	<b>238</b>

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 2012 (*continued*)

## 14 Financial risk management

The Group's financial instruments comprise cash and various items such as trade receivables, trade payables, other payables, other taxes and social security payables 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 and cash equivalents is as follows:

2012	Under 3 months £'000	4 to 12 months £'000	Greater than 12 months £'000	Total £'000
Financial liabilities	(281)	(27)	(3)	(311)
Cash and Cash Equivalents	1,578	-	-	1,578
2011	Under 3 months £'000	4 to 12 months £'000	Greater than 12 months £'000	Total £'000
Financial liabilities	(213)	(20)	(5)	(238)
Cash and Cash Equivalents	1,628	-	-	1,628

### 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 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 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 risk and consequently does not hedge against them. The Board keeps these risks under regular review.

### Foreign currency risk

It is recognised that the company 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 cash flow. At the year end the exposures in the balance sheet amount to £66k (2011: £35k).

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

## 15 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 2012 *(continued)*

## 16 Share capital

	2012 Number	2012 £'000	2011 Number	2011 £'000
<b>Issued, called up and fully paid</b>				
Ordinary shares of 1p each	51,112,581	511	51,112,581	511
<b>Authorised share capital</b>				
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

## 17 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		Other	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Within one year	71	71	17	18
In the second to fifth years inclusive	214	286	12	8
	285	357	29	26

## 18 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 Bank plc. Bank facilities provided by HSBC Bank plc include a bank guarantee issued to Highbridge (Houndhill) Industries Limited for £142,920, being a rolling two year's 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 Directors) that were in the Company's employment at that time, to reward loyalty and encourage on-going commitment to the Company. In recognition of their contribution to achieving break-even in a half year accounting period, seven employees will receive a total of £33k, which together with Employers National Insurance would cost £38k (2011: £38k) had the conditions been fulfilled at 31 December 2012. 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 the end of the arrangement on 30 April 2012 was £17k (2011: £13k). Had the profit performance criteria been achieved at 31 December 2012, the value of the concessionary payment (including Employers National Insurance) would have been £47k (2011: £32k). 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 Canaccord Genuity Limited (formally 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 2012 the value of the amounts due were £60k.

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 2012 *(continued)*

### 19 Share-based payments

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

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

The fair value of the share options granted on 18 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

The number of share options that are in issue at 31 December 2012 is 2,521,907 (31 Dec 2011 1,104,907), of which 1,096,907 (31 Dec 2011 1,104,907) were exercisable at 31 December 2012. The exercisable share options have strike prices of between 10p and 97p, with a weighted average exercise price of 45.4p (2011 46.6p)

The weighted average contractual life of all outstanding share options on 31 December 2012 is 3.7 years (31 Dec 2011 4.7 years)

The expense recognised in the year from equity settled share based payments was £7k (2011 £nil)

There were no cash settled share based payment transactions

### 20 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 3 and the Remuneration Report on page 10. There were no other transactions with key management.

#### *Company – transactions with subsidiaries*

Royalties amounting to £nil (2011 £nil) were payable by Inditherm plc to its subsidiary Inditherm (Medical) Limited in relation to the use of intellectual property.

Amounts due from Inditherm (Medical) Limited at 31 December 2012 of £903k (2011 £903k) have been provided for in full.



## Other Shareholder Information

### SHAREHOLDER ENQUIRIES

Shareholder enquiries should be directed to the Company's registrars, Capita Registrars, at The Registry, 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](mailto:ssd@capitaregistrars.com))

### FINANCIAL DIARY

Announcement of 2012 annual results	28 March 2013
Annual General Meeting	2 May 2013
Announcement of 2013 interim results	26 September 2013
Announcement of 2013 annual results	27 March 2014

### 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](http://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](http://www.capitadeal.com) or telephoning 0871 664 0346 (calls cost 10p per minute plus network extras, lines are open 8am 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 2013 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 Thursday 2 May 2013 at 12 00 pm for the following purposes


### ORDINARY BUSINESS

- 1 To receive and adopt the accounts of the Company for the year ended 31 December 2012 together with the Report of the Directors and the Independent 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 John Markham, 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 Resolution 4 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 of 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



**By Order of the Board**

ID Smith  
Company secretary  
28 March 2013

### Registered Office

Inditherm House  
Houndhill Park  
Bolton Road  
Wath-upon-Deerne  
Rotherham  
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 indicate 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, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 12 00pm on 30 April 2013. 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 Corporate representatives must make themselves known before the start of the Annual General Meeting.
- 8 The CREST electronic proxy appointment service is available for this Annual General Meeting. To use this service CREST members should transmit a CREST proxy instruction so as to reach Capita Registrars, CREST participant ID RA10, by not later than 12 00pm on 30 April 2013 or in the case of any adjournment no later than 48 hours before the time fixed for the adjourned meeting.
- 9 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 30 April 2013 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.

Headquarters and Registered Office

Inditherm House  
Houndhill Park  
Bolton Road  
Wath-upon-Deane  
Rotherham, S63 7LG

Telephone +44 (0) 1709 761000  
Fax +44 (0) 1709 761066

e-mail [sales@indithermplc.com](mailto:sales@indithermplc.com)  
website [www.inditherm.com](http://www.inditherm.com)