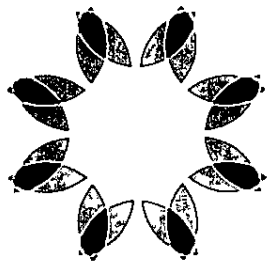


COMPANIES HOWE COPY



**INDITHERM** plc

**Annual Report  
and  
Financial Statements  
2009**

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# **INDITHERM** *plc*

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# **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 medical warming solutions to prevent hypothermia and heat therapy systems. In industrial process industries, such as confectionery, food and chemicals, CPT is ideal for heating pipes, tanks, valves and pumps.

## **INDITHERM** Target Markets



In the Medical segment, Inditherm specialises in warming solutions to prevent hypothermia and heat therapy systems for the treatment of injuries and wounds. Patient warming products are primarily used in operating theatres, recovery and intensive care, accident & emergency, and neonatal applications. They offer improved clinical performance, combined with significant cost savings over traditional technologies. Products are sold internationally through a network of distributors.



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. Inditherm supplies many well-known multi-national companies in the food and beverage, confectionery, pharmaceutical, chemical, oil and gas, and water utility industries. Inditherm uses significantly less energy than traditional electrical trace heating, hot water or steam systems. In addition, the business has developed significant expertise in providing unheated insulation solutions. During 2009 a digital control system (Inditherm Plus) and a food grade cladding system (Inditherm Pro) has been developed and approved by a number of confectionery companies to date.

In the Construction market, Inditherm working in conjunction with Sheffield Hallam University, has developed solutions to accelerate concrete curing. Initial commercial focus has concentrated on the pre-cast concrete producers where process improvement provides the benefit of improved cycle times, reduction in lost production and significant savings on energy and cement costs.

# **INDITHERM** plc \_\_\_\_\_

## **Directors and Advisers**

<b>Directors</b>	M S Abrahams (Chairman) N Bettles J H Markham OBE I D Smith
<b>Secretary and registered office</b>	I D Smith, Inditherm House, Houndhill Park, Bolton Road, Wath upon Dearne, Rotherham S63 7LG
<b>Company number</b>	3587944
<b>Independent auditors</b>	PricewaterhouseCoopers LLP, Benson House, Wellington Street, Leeds LS1 4JP
<b>Bankers</b>	HSBC, Montgomery Road, Wath Upon Dearne, Rotherham S63 7QW
<b>Nominated adviser and broker</b>	Collins Stewart Europe 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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

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## Chairman's Statement

### Overview

The economic conditions during 2009 were even more challenging than originally anticipated and this continued into the second half of the year

The Medical business continued growth but at rates lower than in recent years. There has been modest take-up in the USA following the launch stock sales seen in 2008.

The redirection and focus in the Industrial sector has continued to deliver improved contribution margins, albeit on reduced sales. The cost base was reduced during the year to match market conditions. In doing so we focussed our resources on those applications where we already have proven credibility and in the latter part of the year the benefit of this approach started to show.

The outcome for the second half was in line with expectations at the Interim stage, however there have been encouraging signs of improvement during recent months.

### Results

Revenue for the year fell by 42% to £1,152k (2008 £1,983k), with a large part of this difference due to sales of start-up stock for Smiths Medical in 2008. This was in line with expectations following the results reported for the first half of the year. Gross profit was 41% (2008 56%) due largely to under-recovery of fixed costs with lower turnover.

Overheads were kept under control during the year, and before exceptional costs were £1,577k (2008 £1,607k), resulting in operating loss before exceptional items at £1,039k (2008 £502k). Exceptional costs of £109k were associated with restructuring during the year (2008 nil) and with net interest income much lower at £27k (2008 £179k), the post-tax loss was £1,082k (2008 £283k).

The year end cash balance was £2,092k (2008 £3,115k), representing a net outflow from operating activities of £981k (2008 £263k).

### Operations

Overall Medical orders in 2009 grew by 10%. This comprised 18% growth in orders from our non-US distributors, diluted by a flat performance in the UK. Sales in the USA amounted to £31k. Spending pressures within the NHS temporarily halted what has previously been a steady growth trend. We recently received a national award for this part of our range and hope that this will help in overcoming reluctance in some parts to adopt Inditherm technology to meet the National Institute for Clinical Excellence (NICE) guidelines.

We continued our strategy of focusing on specific key areas in the Industrial markets. Contribution margins again increased and were nine percentage points higher than the previous year, in line with our strategy to concentrate on applications where we can offer clear benefit for the customer at competitive prices. Restructuring of this part of the business during the year has helped to align costs to the less diverse and time-consuming areas of activity. We are working closely with a few major international companies and secured a significant order at the end of 2009 as a result. We anticipate further progress in sales penetration during 2010.

We have seen a steady increase in enquiry levels over the last six months. Order flow improved in the second half and was 30% up on the first half. We took Industrial orders for over £200k in the last two months of 2009 that will be fulfilled in 2010.

The second half operating loss before exceptional items was 22% lower than the first half, reflecting both the reduction in overheads and an improvement in performance from medical distributors.

## Chairman's Statement (continued)

### Dividends

As stated in previous years, the Board intends to devote the Company's financial resources to business development. This intention, which the Board believes is in the best interest of the shareholders, has continued during 2009 and the Board does not expect to declare a dividend during the Company's continuing development.

### Management

As part of restructuring of the business during the year we combined the technical and manufacturing management roles.

### Employees

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

### Outlook

Growth of the Medical sector during 2009 continued, but at a lower rate than in recent years. We saw a 49% increase in distributor orders in the second half of 2009 over the first half and this trend has continued into the start of 2010. The UK market for our medical products did not grow as expected, however prospect levels have been rising steadily over the last six months and we are expecting these to translate into order growth in 2010. Market penetration in the USA remains slow and whilst we continue to pursue this with our distribution partners we are redirecting some of our efforts to other overseas markets where the opportunities for progress in the short term seem greater.

In our Industrial sectors the change of strategy instigated in 2008 has continued to deliver higher contribution margins. Our focus with a number of key manufacturers in the confectionery, chemicals and pre-cast concrete sectors has yielded several technical approvals and endorsements of our technology. We expect further progress in the year ahead with potential for repeat business with key customers.

The world economic situation has undoubtedly had a major impact in slowing the take-up of new projects in the last year. However, there are signs that matters are improving in our Industrial markets. Pressure on budgets in the UK's NHS is driving up enquiry levels for our products due to the combination of improved clinical care with reduced cost, but it is not yet fully clear what level of conversion to orders can be achieved.

The business environment was more challenging than expected in 2009, however, we have seen improvements in order intake over recent months. In the last three months order intake has been twice the level of the comparable period in the previous year and cash consumption has halved. If this continues we believe that we can reach break-even with our own resources in the foreseeable future.



**MARK ABRAHAMS**

*Chairman*

25 March 2010

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute forward looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Inditherm plc to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, general economic conditions and the business environment.

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## Chief Executive's Review

### Overview

With difficult trading conditions in all markets, 2009 saw a fall in sales and higher losses. However, with actions taken and an improving market situation we saw some improvement in the second half of the year.

In our Medical business sales through distributors showed modest growth in the first half but returned close to historic growth rates in the second half. The UK market remained flat, but with steady growth in enquiries in the last six months.

The additional focus introduced to our Industrial business during 2009 has delivered good orders growth towards the end of the year. Further cost reductions in this part of our operations have been made, in line with our target of concentrating on very specific market segments and key customers.

### Sales & Marketing

In the Medical business we saw further growth, but at a lower rate than we have achieved historically. Our UK sales of operating theatre patient warming systems remained static as cost constraints in the NHS restricted investment. A NICE guideline published in 2008 introduced recommendations to warm more patients during surgical procedures, however, Inditherm was only briefly mentioned as a potential technology. There remains significant pressure to warm more patients and, in the current economic climate within the health service Inditherm has a compelling case to offer. We have been promoting the cost advantages of Inditherm's solution and the steady increase in enquiries over the last six months suggests that we are now being more readily considered as a route to compliance with NICE guidelines.

We received an award for Suppliers Delivering Sustainability in February 2010, which recognised our contribution to reducing cost, improving clinical performance and reducing environmental impact. We believe that this will further help to highlight our technology within the NHS.

Many of our overseas Medical distributors have also seen difficult market conditions in 2009, with decision-making stalled. There was no growth in this part of our business during the first six months of the year, but we were encouraged by a return to historic growth rates in the second half. Our distributor conference in March 2009 was attended by 28 delegates and was very successful, stimulating renewed activity from a number of our overseas partners. We are now in the process of expanding our operations in the Middle East, where the medical equipment market appears more buoyant than most other regions, which should give us further opportunities to secure continued export growth.

The USA market has continued to prove slow, with constraints on spending in the capital equipment sector. We now have a second distributor for our operating room product range, they are active in the market and working to strengthen national sales coverage for our products. Smiths Medical remains a non-exclusive distributor, but the majority of their sales have been made from their existing start-up stocks acquired in 2008.

The Industrial business, including construction applications, has been most badly affected by the global economic situation, with protracted decision making and project delays. We do not believe we have lost any significant amount of business to

## **Chief Executive's Review (continued)**

competition. We have reduced our operational overheads for this segment during 2009 and further emphasised our concentration on market segments and key customers where we can offer greatest added value and thus the most compelling sales proposition.

Our product offering has been strengthened by the integration of a new food grade cladding system and an advanced control and monitoring package. We have seen that this is helping to generate more interest in the Inditherm solution, particularly in the food and confectionery markets. We have been working closely with a number of major international manufacturers to gain formal approvals and endorsement of our technology in their businesses and have achieved a number of successful outcomes. Several projects are ongoing and we see prospects for repeat business in a number of areas. This follows on from a strong order intake at the end of 2009 which allowed us to carry an order book of over £200k into 2010.

### **Product Development**

A number of new medical products were released in 2009 and others are going through final medical device approvals. These are expected to improve our growth potential in the year ahead. We have introduced design changes on our patient warming systems during the year that have allowed us to deliver improved clinical product performance.

Our advanced process monitoring solution has been further developed in 2009, giving us unrivalled control for temperature critical processes. Our Inditherm<sup>PM</sup> insulation and cladding system has been installed on a number of projects during the year and has attracted significant interest and very positive feedback from a number of major manufacturers, particularly in the confectionery industry. These two additions are proving to be enabling technologies that add to the drive for customers to convert to Inditherm heating technology.

We have expanded our range of standard container heating jackets, with the addition of a high power variant. This should give further opportunity for growth of this sector.

### **Operations**

As part of the process of structuring the business to match market conditions, we combined the manufacturing and technical management roles during 2009. Our further move to focus on core applications has also allowed us to devolve some of the production management processes and reduce our operational overheads during the year.

Our policy of holding reasonable levels of standard medical products in stock has allowed us to continue to offer short delivery times and fast turn-round of orders received.

We believe that we continue to be perceived by our customers as delivering high quality products and service and continue to receive positive feedback.

We actively manage the preservation of our cash resources and the cash implications of business decisions, forecasts and business plans are monitored closely.



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## Chief Executive's Review (continued)

### Outlook

The increase in enquiries and orders in our Medical business over the last six months gives us optimism that we can return to historic growth levels in 2010. We continue to pursue acceleration of progress in the USA with our distributors there, but will ensure that our resource allocation is balanced so that we maximise the global market opportunities.

The pressure on budgets in the NHS and many overseas healthcare systems, combined with our marketing of the cost savings our technology offers, is driving up the interest in our products, particularly in the operating room sector. We believe that take-up will increase in the year ahead, although it is difficult to know how fast the decision-making process will progress.

Our approach in the Industrial markets has yielded improved order intake at the end of 2009. Work we are doing with key customers in our core target sectors should lead to further progress in 2010 and we are already in discussions about a number of significant projects.



**NICK BETTLES**

*Chief Executive*

25 March 2010

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Inditherm plc to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, general economic conditions and the business environment.

## Directors and Board Committees

### Directors

*Mark Abrahams (Aged 55, Chairman) \**

Mark is currently the Chief Executive of Fenner Plc and was formerly non-executive chairman of the Darby Group Plc. At Fenner he led a strategy of converting the Group from a power transmissions manufacturer to a world leader in reinforced polymers. Mark is also a non-executive director of Leeds Teaching Hospitals Trust. He is a Chartered Accountant and a Companion of the Institute of Management.

*Nick Bettles (Aged 54, 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 63) \**

John joined the Company in March 2002. He has an honours degree in Chemical Engineering and is a Fellow of the Institute of Chemical Engineers. He is a Chartered Engineer and Chartered Scientist. He was awarded the OBE in 1995 for services to British industry. He has a wealth of experience in industries related to the Company's products and applications having spent 20 years with ICI and more recently holding the position of Chief Executive of Hickson International PLC.

*Ian Smith (Aged 53, Finance Director and Company Secretary)*

Ian joined the Company in January 2004. He is a Chartered Accountant and qualified Corporate Treasurer and 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 Holset Engineering Co Ltd the turbocharging division of Cummins Engine Co Inc.

**\* Non-executive**

### Board Committees

The principal standing committees appointed by the Board are as follows:

<i>Audit committee</i>	<i>Remuneration committee</i>	<i>Nominations committee</i>
Mark Abrahams <i>Chairman</i> John Markham	John Markham <i>Chairman</i> Mark Abrahams	Mark Abrahams <i>Chairman</i> John Markham Nick Bettles

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## Statement of Corporate Governance

The Board is committed to the highest standards of corporate governance appropriate to its size and sets out below details of how it has applied the provisions of the Combined Code (2008) on Corporate Governance

### Board Composition

The Board has two executive directors and two independent non-executive directors. Details of the Board members are on page 8.

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.

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

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.

### Board Committees

The Board has three standing committees, the membership of which is set out on page 8.

#### *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 11.

#### *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 clear 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 monthly financial results to the Board
- Quality control systems certified under ISO 9001
- Appraisal and authorisation of capital expenditure

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

### **Going Concern**

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

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# Remuneration Report

## Responsibilities

The Committee comprises of 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

The executive directors have rolling 12 month contracts requiring 12 months' written notice to be given by either party. There are no provisions for compensation if there is a change of control. The service contracts do not contain any provision for compensation on early termination other than the notice period. The Committee will seek to mitigate cost to the Company whilst dealing fairly with each individual case.

The Chairman and non-executive director are usually appointed for a fixed two year term.

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 31 December 2009	Notice period
N Bettles	–	1 year
I D Smith	–	1 year
M S Abrahams	23 months	Fixed term
J H Markham	2 months	Fixed term

At a Board meeting on 3 February 2010 the Company extended the letter of appointment for J H Markham for a further two years taking it through to February 2012. J H Markham did not partake in this section of the meeting and took no part in this decision.

## 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 for pension scheme membership or bonus schemes but they do participate in the Company's share option scheme.

## 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.

## Remuneration Report (continued)

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

	Contractual entitlement	Performance related
N Bettles	67%	33%
I D 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% of basic annual salary 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.

## Remuneration Report (continued)

### Directors' detailed emoluments

The emoluments of the directors of the Company were as follows

	Salary £'000	Pension contribution £'000	Benefits in kind £'000	2009 Total £'000	2008 Total £'000
M S Abrahams	35	–	–	35	35
J H Markham	23	–	–	23	23
N Bettles	110	5	11	126	126
I D Smith	90	5	14	109	109
	<u>258</u>	<u>10</u>	<u>25</u>	<u>293</u>	<u>293</u>

Contributions to a defined contribution pension scheme were paid on behalf of two directors (2008 two) during the year. No directors exercised share options during the year.

### Interests in share options

Details of options held by directors at the year end are set out below

	Date of Grant	Option Price	2009 Number	2008 Number
M S Abrahams	10/12/01	97p	207,540	207,540
J H Markham	09/04/02	222p	30,000	30,000
N Bettles	21/12/07	10p	400,000	400,000
I D Smith	02/04/04	52.5p	100,000	100,000
I D Smith	21/12/07	10p	200,000	200,000

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

The market price of the Company's shares at 31 December 2009 was 9.5p. The range of market prices during the year was 3.75p to 12.5p.

## **Remuneration Report** (continued)

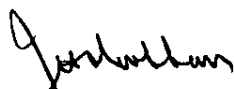
### **Directors' Interests in shares**

The directors' interests in the 1p ordinary shares of the Company at the year end were

	2009	2008
M S Abrahams	301,546	301,546
J H Markham	29,366	29,366
N Bettles	4,444	4,444
I D Smith	<u>54,444</u>	<u>54,444</u>

There have been no post year end changes to these holdings

All directors' interests are beneficially held



**JOHN H MARKHAM**  
*Chairman, Remuneration Committee*

25 March 2010



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## 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 elected to prepare 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 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, and
- 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, the directors are required, and hereby confirm, in the case of each director in office at the date the directors' report is approved, that

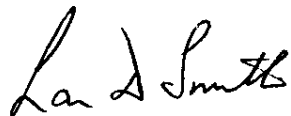
- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

**IAN D SMITH**

*Finance Director and Company Secretary*

25 March 2010



## Report of the Directors

for the Year ended 31 December 2009

The directors present their report together with the Group's audited financial statements for the year ended 31 December 2009

### Results and dividends

The income statement is set out on page 21 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 2009 and the Board does not expect to declare a dividend during the Company's continuing development (2008 nil)

### Principal activity and business review

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

### 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

- Impact of global recession
- Business growth rates
- Liquidity
- Attracting and retaining key staff
- Development of the North American medical markets
- Polymer production and development programme
- Patents infringement

### Key Performance Indicators

The Board monitor the following key performance indicators in absolute and relative terms

	2009	2008
Order growth rate (Year on year)	-4%	-40%
2008 drop in orders was due to the absence of orders for Smiths start up stocks		
Revenue growth rate (Year on year)	-42%	+6.5%
Revenue contracted in 2009 due to not having the start up stocks for Smiths and the reduction in activity levels explained in the Chairman and CEO reports		
Gross Margin % (Annual percentage)	41%	56%
Contribution Margins were comparable year on year but were diluted by the underrecovery of fixed costs caused by the drop in revenue		
Cash resources available	£2,092k	£3,115k
Cash outflow from trading and investment activities		

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## Report of the Directors (continued)

### Directors

The directors of the Company who served during the year are shown on page 8

### Substantial interests

At 24 March 2010 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
Cazenove Fund Management Limited	10,805,998	21.2%
D G Steward	10,300,000	20.2%
Allianz Cornhill Insurance plc	4,600,000	9.0%
Patrick O'Grady	4,572,936	8.9%
Invesco Perpetual AIM VCT plc	4,025,000	7.9%
Aviva plc	3,722,085	7.3%
First Pheonix 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's and Company's policy to settle all trade creditors within the normal commercial terms of trade agreed with each supplier. The number of days' purchases represented by the Group and Company trade creditors at the year end was 45 (2008: 46)

### Research and development

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

External costs incurred on specific development projects that are expected to result in commercially and economically viable products are capitalised.

### Financial instruments

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

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

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

Credit limits are set for all customers having referred to payment history and 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

## **Report of the Directors (continued)**

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.

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

Further information on financial instruments is set out in note 14.

### **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 will be proposed at the Annual General Meeting.

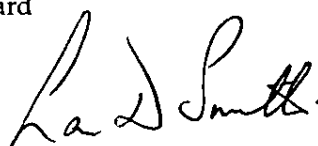
### **Special business**

- Resolution 4 in the Notice of Annual General Meeting on page 46 renews the authority of the directors to allot relevant securities. The nominal amount of securities to which the authority relates is £25k, which represents approximately 5% of the Company's current issued share capital. Such authority will expire at the conclusion of the Annual General Meeting next following the passing of this Resolution or if earlier fifteen months after the date of this Ordinary Resolution. The directors have no present intention of exercising this authority.
- Resolution 5 waives the statutory pre-emption rights under s 561 of the Companies Act 2006 in respect of the allotment of equity securities for cash. The nominal amount of equity securities which may be issued without being offered to existing shareholders is £25k, as noted above for Resolution 4. There is no present intention to make any such allotment of equity securities, but the directors consider it desirable to maintain the flexibility afforded by this power.
- The directors believe that both of the above Resolutions are in the best interests of the Company and shareholders and they therefore recommend shareholders' to vote in favour of the Resolutions.

By order of the Board

**IAN D SMITH**  
*Secretary*

25 March 2010



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## **Independent Auditors' Report to the Members of Inditherm plc**

We have audited the Group and Parent Company financial statements (the "financial statements") of Inditherm plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of Cash Flow, the Group and Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the 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, 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 Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's loss and Group's and Parent 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 Parent 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.

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

### **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

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



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

25 March 2010

### **Notes:**

- (a) The maintenance and integrity of the Inditherm plc website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## Consolidated Income Statement

for the Year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Revenue	2	1,152	1,983
Cost of sales		(676)	(878)
Gross profit		476	1,105
Administrative expenses		(1,624)	(1,607)
Operating loss before exceptional items		(1,039)	(502)
Exceptional costs	4	(109)	–
Operating loss		(1,148)	(502)
Finance income	5	27	179
Finance costs	5	–	(1)
Loss on ordinary activities before taxation		(1,121)	(324)
Taxation credit from loss on ordinary activities	6	39	41
Deficit for the year attributable to equity holders		(1,082)	(283)
Loss per share – basic and diluted	7	(2.1p)	(0 6p)

All amounts relate to continuing activities

All income and expenditure has been recognised in the income statement and therefore no statement of comprehensive income is required

# INDITHERM plc

## Consolidated Statement of Changes in Shareholders' Equity

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2008	511	9,929	110	(6,736)	3,814
Credit for share based payments	–	–	12	–	12
Loss for the year	–	–	–	(283)	(283)
At 31 December 2008	511	9,929	122	(7,019)	3,543
Credit for share based payments	–	–	12	–	12
Loss for the year	–	–	–	(1,082)	(1,082)
At 31 December 2009	511	9,929	134	(8,101)	2,473

## Statement of Changes in Shareholders' Equity – Company

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2008	511	9,929	110	(6,751)	3,799
Credit for share based payments	–	–	12	–	12
Loss for the year	–	–	–	(269)	(269)
At 31 December 2008	511	9,929	122	(7,020)	3,542
Credit for share based payments	–	–	12	–	12
Loss for the year	–	–	–	(1,081)	(1,081)
At 31 December 2009	511	9,929	134	(8,101)	2,473

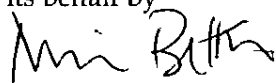


## Consolidated Balance Sheet

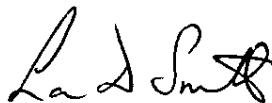
as at 31 December 2009

	Notes	2009 £'000	2008 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	52	115
Intangible assets	9	95	92
		<u>147</u>	<u>207</u>
<b>Current assets</b>			
Inventories	11	144	175
Trade and other receivables	12	265	317
Current income tax asset		79	40
Cash and cash equivalents		2,092	3,115
		<u>2,580</u>	<u>3,647</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(249)	(311)
		<u>(249)</u>	<u>(311)</u>
<b>Net current assets</b>		<u>2,331</u>	<u>3,336</u>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	16	(5)	–
<b>Net assets</b>		<u>2,473</u>	<u>3,543</u>
<b>Shareholders' equity</b>			
Called up share capital	17	511	511
Share premium account		9,929	9,929
Share based payment reserve		134	122
Retained earnings		(8,101)	(7,019)
<b>Total equity</b>		<u>2,473</u>	<u>3,543</u>

The financial statements were approved by the Board of Directors on 25 March 2010 and signed on its behalf by



**N BETTLES**  
Director



**I D SMITH**  
Director

# INDITHERM plc

## Company Balance Sheet

as at 31 December 2009

	Notes	2009 £'000	2008 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	52	115
Intangible assets	9	95	91
		<u>147</u>	<u>206</u>
<b>Current assets</b>			
Inventories	11	144	175
Trade and other receivables	12	265	317
Current income tax asset		79	40
Cash and cash equivalents		2,092	3,115
		<u>2,580</u>	<u>3,647</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(249)	(311)
		<u>(249)</u>	<u>(311)</u>
<b>Net current assets</b>		<u>2,331</u>	<u>3,336</u>
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	16	(5)	–
<b>Net assets</b>		<u>2,473</u>	<u>3,542</u>
<b>Shareholders' equity</b>			
Called up share capital	17	511	511
Share premium account		9,929	9,929
Share based payment reserve		134	122
Retained earnings		(8,101)	(7,020)
<b>Total equity</b>		<u>2,473</u>	<u>3,542</u>

The financial statements were approved by the Board of Directors on 25 March 2010 and signed on its behalf by



**N BETTLES**  
Director



**I D SMITH**  
Director

## Cash Flow Statement

for the Year ended 31 December 2009

	Notes	<b>Group and Company</b>	
		<b>2009</b>	<b>2008</b>
		<b>£'000</b>	<b>£'000</b>
<b>Cash flow from operating activities</b>			
Cash used in operations	18	(1,009)	(481)
Interest received		27	179
Interest paid		–	(1)
Taxation		–	40
<b>Net cash outflow from operating activities</b>		<b>(982)</b>	<b>(263)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(4)	(17)
Capitalised development costs		(40)	(91)
Sale of property, plant and equipment		3	1
<b>Net cash used in generated from investing activities</b>		<b>(41)</b>	<b>(107)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,023)</b>	<b>(370)</b>
Cash and cash equivalents at the beginning of the period		3,115	3,485
<b>Cash and cash equivalents at the end of the period</b>		<b>2,092</b>	<b>3,115</b>

## Notes forming part of the financial statements

for the Year ended 31 December 2009

### 1 Accounting Policies

#### *Basis of preparation*

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

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

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

#### *Basis of consolidation*

The financial statements of the Group consolidate the financial statements of Inditherm plc and its subsidiary undertakings up to 31 December 2009 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 £1,082k (2008: £283k 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.

#### *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 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 and assessment of long term contract performance,
- Warranty provisions, and
- Allowances against the valuation of inventories

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## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 1 Accounting Policies (continued)

#### *New accounting standards and IFRIC interpretations*

The following new standards and interpretations have been adopted

- IAS 1 (revised) Presentation of financial statements
- IFRS 2 (amendment) Share based payments
- IFRS 7 (amendment) Financial Instruments disclosures
- IFRS 8 Operating Segments

The following new standards and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the Group's or Company's operations

- IFRIC 13, 'Customer loyalty programmes relating to IAS 18, Revenue', and
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'

The following standards and interpretations to existing standards have been published but are not mandatory for the year ended 31 December 2009 and consequently have not been adopted by the Group or Company in the year

- IFRIC 17, 'Distribution of non-cash assets to owners',
- IAS 27 (revised), 'Consolidated and separate financial statements',
- IFRS 3 (revised), 'Business combinations',
- IAS 38 (amendment), 'Intangible assets',
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations',
- IAS 1 (amendment), 'Presentation of financial statements', and
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'

No standards have been adopted early by 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.

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

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 1 Accounting Policies (continued)

#### *Exceptional items*

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

#### *Employee benefits*

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

#### *Share-based incentives*

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

#### *Research and development costs*

Research expenditure is written off in the year in which it is incurred. Development expenditure is charged to the income statement in the year in which it is incurred unless it meets the criteria for capitalisation in IAS 38 'Intangible assets'.

#### *Product development costs*

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

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

#### *Leases*

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

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

#### *Foreign currency transactions and balances*

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

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## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 1 Accounting Policies (continued)

#### *Property, plant and equipment*

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

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

#### *Intangible assets*

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

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

#### *Impairment of non – financial assets*

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

#### *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.

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 1 Accounting Policies (continued)

#### *Inventories*

Inventories which include raw materials and work in progress are stated at the lower of cost and net realisable value. Cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in 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 stated at cost less provisions for impairment, where appropriate. Provision for impairment of trade receivables is established where there is evidence that the Group will not be able to collect all the amounts due. The amount of the provision is the difference between the asset's carrying amount and the cash flows expected to be received.

#### *Investments*

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

#### *Cash and cash equivalents*

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

#### *Derivative financial instruments*

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

#### *Trade payables*

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

#### *Grants*

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



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## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 1 Accounting Policies (continued)

#### *Provisions*

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

#### *Warranty provision*

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

#### *Share capital*

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

### 2 Segmental analysis

Inditherm's activities are organised into three segments, two trading segments, being Medical and Industrial, and Central costs. Technical and Engineering overhead costs are charged against the segments based on time and usage. Central costs are not allocated to trading segments, to do so would be arbitrary.

There is no inter-segmental trading.

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

The Group's chief operating decision maker is the Chief Executive, Nick Bettles.

The financial information presented to the chief operating decision maker, including the financial information of the Group's reportable segments, is presented in accordance with International Financial Reporting Standards (IFRS).

#### *Medical*

In the Medical segment, Inditherm specialises in warming solutions to prevent hypothermia and heat therapy systems for the treatment of injuries and wounds. Patient warming products are primarily used in operating theatres, recovery and intensive care, accident & emergency, and neo-natal applications. 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 the support of regional distributors; internationally the business has developed an extensive distributor network.

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 2 Segmental analysis (continued)

#### *Industrial*

This segment consists of activities in the Industrial and Construction markets, Inditherm specialises in providing heating solutions for critical temperature management or frost protection for pipelines, portable storage containers, tanks, valves and pumps. Inditherm supplies many well-known multi-national companies in the food and beverage, confectionery, pharmaceutical, chemical, oil and gas, and water utility industries.

In the Construction market, Inditherm working in conjunction with Sheffield Hallam University, has developed solutions to accelerate concrete curing. Initial commercial focus has been in the pre-cast concrete producers where process improvement provides the benefit of improved cycle times, reduction in lost production and significant savings on energy and cement costs.

#### *Central costs*

This segment includes the costs of the board of directors, costs attributable to the businesses status as a public limited company on the AIM market, together with shared support functions such as accounting and sales administration. The 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 2009 and 2008 is as follows:

	Industrial	Medical	Central	Total
	£'000	£'000	costs £'000	£'000
<b>2009</b>				
Orders	477	801	–	1,278
Revenue	361	791	–	1,152
Operating profit/(loss) before exceptional costs	(377)	185	(847)	(1,039)
Trade receivables	116	114	–	230
<b>2008</b>				
Orders	598	727	–	1,325
Revenue	751	1,232	–	1,983
Operating profit/(loss) before exceptional costs	(127)	507	(882)	(502)
Trade receivables	116	126	–	242

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 2 Segmental analysis (continued)

#### Reconciliation of Segmental operating profit before exceptional costs to deficit for the year attributable to equity holders

	2009 £'000	2008 £'000
Operating profit/(loss) before exceptional costs	(1,039)	(502)
Exceptional costs	(109)	-
Finance income	27	179
Finance costs	-	(1)
Taxation credit from loss on ordinary activities	39	41
Deficit for the year attributable to equity holders	<u>(1,082)</u>	<u>(283)</u>

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

	2009 £'000	2008 £'000
Trade receivables	230	242
Amounts recoverable under contracts	-	34
Other receivables	-	2
Prepayments and accrued income	35	39
Property, plant and equipment	52	115
Intangible assets	95	92
Inventories	144	175
Current tax asset	79	40
Cash and cash equivalents	<u>2,092</u>	<u>3,115</u>
Total Assets	<u>2,727</u>	<u>3,854</u>

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 3 Employees

Group and Company	2009	2008
Aggregate employee costs are as follows	£'000	£'000
Wages and salaries	895	1,018
Social security costs	95	106
Pension costs – defined contribution schemes	19	20
Share based payment	12	12
	<u>1,021</u>	<u>1,156</u>

Average number of persons including executive directors employed

	2009 Number	2008 Number
Management and administration	4	4
Medical Sales	6	4
Industrial Sales	3	6
Development	2	2
Production	10	17
	<u>25</u>	<u>33</u>

Directors' emoluments

The emoluments of the directors of the Company are

	2009 £'000	2008 £'000
Aggregate emoluments	283	283
Contributions to defined contribution pension scheme	10	10
	<u>293</u>	<u>293</u>

The emoluments of the highest paid director were £126k (2008 £126k), Contributions to pension arrangements for the highest paid director were £5k (2008 £5k)

No directors exercised share options during the year (2008 none)

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 4 Operating loss

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

	2009 £'000	2008 £'000
Depreciation of property, plant and equipment - owned assets	45	64
Amortisation of intangible fixed assets	19	14
Profit on disposal of property, plant and equipment	(3)	(1)
Property lease payments	71	71
Other operating leases	40	40
Research and development costs*	100	77
Exceptional costs** comprising		
	£'000	
Provision against inventories	51	
Provision against fixed assets	22	
Cost of a redundancy programme	36	
	<u>109</u>	-
Grant income	(3)	(13)
Auditor's remuneration		
For audit services – statutory	24	24
For audit services – other	-	3
For non-audit services – tax fees	3	6
	<u>27</u>	<u>33</u>
Total – Auditors' remuneration		

\* These are the revenue items only Product development costs that have been capitalised also qualify for Research and Development tax credits

\*\* On 27 July 2009 the company made a trading statement which explained trading had suffered in the light of the worldwide recessionary conditions. In response the company announced it had taken the decision to divert resources from the Industrial segment to the Medical segment and reduce headcount by approximately 20%. In the Industrial segment greater focus would be placed on the sectors where the Company could offer standardised products and gain repeat business. As a result, a review of assets and inventory was undertaken to reassess expected useful lives and net realisable values and provisions were made for assets the value of which was impaired by this adjustment to business strategy. Provisions against inventories of £51k and £11k of the provision against fixed assets is included in cost of sales and £11k of the provision against fixed assets and the cost of the redundancy programme are included in administrative costs.

# INDITHERM p/c

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 5 Net finance income

	2009 £'000	2008 £'000
<b>Finance income</b>		
Bank interest receivable	27	179
<b>Finance costs</b>		
Bank interest payable	–	(1)

### 6 Taxation

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

	2009 £'000	2008 £'000
Current tax		
UK corporation tax credit	39	41

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

The tax assessed for the year is explained below

	2009 £'000	2008 £'000
Loss on ordinary activities before taxation	(1,121)	(324)
Loss on ordinary activities multiplied by expected rate of corporation tax of 21% (2008 20.75%)	(235)	(67)
Effects of		
Expenses not deductible for tax purposes	3	7
Depreciation in excess of capital allowances not recognised as deferred tax asset	(7)	(3)
Research and development tax credit	(39)	(41)
Trading losses carried forward	239	63
	(39)	(41)

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

The Group has tax losses estimated at £6,464k (2008 £5,612k) available for relief against future trading profits

The potential deferred tax assets on the above is shown below

	2009 £'000	2008 £'000
Accelerated capital allowances and other timing differences	56	36
Losses	1,404	1,252
	1,460	1,288

The potential deferred tax asset has not been recognised

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 7 Loss per share

The calculation of loss per ordinary share is based on losses of £1,082k (2008 £283k) and on a weighted average of 51,112,581 (2008 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.

### 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 2008	242	162	83	487
Additions	–	17	–	17
Transfer	(6)	6	–	–
Disposals	–	–	(16)	(16)
31 December 2008	236	185	67	488
Additions	–	4	–	4
Disposals	–	(2)	–	(2)
<b>31 December 2009</b>	<b>236</b>	<b>187</b>	<b>67</b>	<b>490</b>
<b>Accumulated depreciation</b>				
1 January 2008	142	112	71	325
Depreciation charge	23	32	9	64
Disposals	–	–	(16)	(16)
31 December 2008	165	144	64	373
Depreciation charge	20	22	3	45
Provision for diminution in value*	11	11	–	22
Disposals	–	(2)	–	(2)
<b>31 December 2009</b>	<b>196</b>	<b>175</b>	<b>67</b>	<b>438</b>
<b>Net book amount</b>				
<b>31 December 2009</b>	<b>40</b>	<b>12</b>	<b>–</b>	<b>52</b>
31 December 2008	71	41	3	115

The net book amount of property, plant and equipment includes an amount of £nil (2008 £nil) in respect of assets held under hire purchase contracts.

\* The provision for diminution in value has been included in the exceptional item detailed in note 4 and has been made as a result of the change in business strategy announcement in the Trading Statement dated 27 July 2009.

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 9 Intangible assets

Group	Intellectual property rights £'000	Product development costs £'000	Total £'000
<b>Cost</b>			
1 January 2008	136	–	136
Additions	–	91	91
Disposals	–	–	–
31 December 2008	136	91	227
Additions	–	40	40
Aborted development costs	–	(18)	(18)
<b>31 December 2009</b>	<b>136</b>	<b>113</b>	<b>249</b>
<b>Accumulated amortisation and impairment</b>			
1 January 2008	121	–	121
Amortisation charge	14	–	14
31 December 2008	135	–	135
Amortisation charge	1	18	19
<b>31 December 2009</b>	<b>136</b>	<b>18</b>	<b>154</b>
<b>Net book amount</b>			
<b>31 December 2009</b>	<b>–</b>	<b>95</b>	<b>95</b>
31 December 2008	1	91	92

Only product development costs are held in the Company balance sheet

Amortisation of intangible assets is included within administrative expenses within the income statement

### 10 Investments in subsidiaries – Company

Investment in subsidiaries at cost	£
At 1 January 2009 and 31 December 2008	<b>104</b>

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 (continued)

for the Year ended 31 December 2009

### 11 Inventories

Group and Company	2009 £'000	2008 £'000
Raw materials	139	172
Work in progress	5	3
	<u>144</u>	<u>175</u>

Inventories are presented net of provisions for write downs, based on management's estimate of net realisable value. The amount charged to the income statement in respect of write downs of inventories was £71k (2008 £32k). £51k of this charge has been included in the exceptional item detailed in note 4 and has been made as a result of the change in business strategy announced in the Trading Statement dated 27 July 2009. The amount credited to the income statement in respect of reversals of write downs was £22k (2008 £9k). The cost of inventories recognised as an expense and included in cost of sales was £279k (2008 £461k).

### 12 Trade and other receivables

Group and Company	2009 £'000	2008 £'000
Trade receivables	230	242
Amounts recoverable on contracts	–	34
Other receivables	–	2
Prepayments and accrued income	35	39
	<u>265</u>	<u>317</u>

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 £3k (2008 £6k), 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	2009 £'000	2008 £'000
At 1 January	6	5
Provision made for impaired receivables	3	6
Unused provision reversed	(6)	(4)
Receivables written off during the year as uncollectable	–	(1)
At 31 December	<u>3</u>	<u>6</u>

Other receivable balances do not contain impaired assets.

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 12 Trade and other receivables (continued)

At 31 December 2009 trade receivables of £3k (2008 £6k) were impaired. The amount of provision was £3k (2008 £6k)

The ageing of these receivables is as follows

Group and Company	2009 £'000	2008 £'000
Under one year	3	5
Over one year	–	1
	<u>3</u>	<u>6</u>

At 31 December 2009 trade receivables of £105k (2008 £102k) 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	2009 £'000	2008 £'000
Up to three months	105	102
Three to twelve months	–	–
	<u>105</u>	<u>102</u>

The carrying value of receivables that would have been past due or impaired, but whose terms have been renegotiated is £nil (2008 £nil)

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

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

The Company's receivable due from subsidiaries of £903k (2008 £905k) is fully impaired

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

Group and Company	2009 £'000	2008 £'000
Pounds sterling	256	297
US Dollar	4	3
Euro	5	17
	<u>265</u>	<u>317</u>

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 13 Trade and other payables

Group and Company	2009 £'000	2008 £'000
Trade payables	83	158
Other payables	8	10
Other taxes and social security	82	39
Accruals	76	104
	<u>249</u>	<u>311</u>

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.

### 14 Financial risk management

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

#### *Liquidity risk*

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

The Group's financial liabilities all fall due within one year.

#### *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 risks*

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.

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 14 Financial risk management (continued)

#### *Foreign currency risks*

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 cashflow

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.

### 16 Provision for liabilities

Movements in the provision are as follows

#### **Group and Company**

	<b>Warranty provision 2009 £'000</b>	<b>Warranty provision 2008 £'000</b>
At 1 January 2009	–	54
New provision charged to the income statement	5	1
Provision utilised during the year	–	(45)
Provision not required released during the year	–	(10)
<b>At 31 December 2009</b>	<b>5</b>	<b>–</b>

### 17 Share capital

	<b>2009 Number</b>	<b>2009 £'000</b>	<b>2008 Number</b>	<b>2008 £'000</b>
<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
		<b>1,000</b>		<b>1,000</b>

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 18 Reconciliation of operating loss to cash used in operations from operating activities

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Operating loss	(1,148)	(502)	(1,147)	(502)
Profit on disposal of property, plant and equipment	(3)	(1)	(3)	(1)
Depreciation and amortisation	64	78	63	64
Exceptional write down of inventories	51	–	51	–
Exceptional write down of fixed assets	22	–	22	–
Write off of development costs	18	–	18	–
Share based payments	12	12	12	12
Decrease in amounts due from subsidiary	–	–	–	14
(Increase)/decrease in inventories	(20)	17	(20)	17
Decrease in trade and other receivables	52	280	52	280
Decrease in trade and other payables	(62)	(311)	(62)	(311)
Increase/(Decrease) in provisions	5	(54)	5	(54)
Net cash outflow from operating activities	<u>(1,009)</u>	<u>(481)</u>	<u>(1,009)</u>	<u>(481)</u>

### 19 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	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Within one year	71	71	22	40
In the second to fifth years inclusive	286	286	9	31
After five years	143	214	–	–
	<u>500</u>	<u>571</u>	<u>31</u>	<u>71</u>

## Notes forming part of the financial statements (continued)

for the Year ended 31 December 2009

### 20 Contingent liabilities

The Company received revenue and capital grants totalling £133k in 2003 and 2004, of which £3k has been recognised in the current year (2008 £7k). The grant may become repayable, under certain conditions, if various targets are not achieved. The directors do not expect any loss to arise.

Included within cash and cash equivalents is restricted cash of £250,000 which is used as collateral for bank facilities provided by HSBC plc, which includes a bank guarantee issued to Highbridge (Houndhill) Industries Limited for £142,920, being a rolling two years' rent on the manufacturing facility at Rotherham.

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

### 21 Share based payments

No share options were granted, exercised or forfeited during the year. The number of share options that are in issue at 31 December 2009 is 1,727,297 (2008 1,727,297), of which 1,127,297 (2008 1,127,297) are exercisable at 31 December 2009. Share options are exercisable at prices between 10p and 222p, with a weighted average exercise price of 42.4p. The weighted average contractual life of outstanding share options is 4.8 years (2008 5.8 years).

The expense recognised in the year from equity settled share based payments was £12k (2008 £12k) in respect of 600,000 share options granted on 21 December 2007, and this completes the charges in respect of the issue of those options. The fair value of the share options granted in 2007 was determined by the Black-Scholes pricing model. 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.

There were no cash settled share based payment transactions.

### 22 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. There were no other transactions with key management.

#### *Company – transactions with subsidiaries*

Royalties amounting to £2k (2008 £14k) 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 2009 of £903k (2008 £905k) have been provided for in full.

## Five Year Summary

		IFRS			UK GAAP
	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
<b>Income Statement</b>					
Revenue	1,152	1,983	1,861	1,564	1,035
Gross profit	549	1,105	806	409	337
Administrative expenses	(1,588)	(1,607)	(1,605)	(1,648)	(1,789)
Operating loss before exceptional items	(1,039)	(502)	(799)	(1,087)	(1,402)
Exceptional costs	(109)	0	(128)	(152)	(50)
Deficit for the year attributable to equity holders	(1,082)	(283)	(699)	(1,132)	(1,279)
Loss per share – basic and diluted	(2.1p)	(0 6p)	(1 4p)	(5 4p)	(6 1p)
<b>Balance Sheet</b>					
Net current assets	2,331	3,336	3,691	1,576	2,794
Net assets	2,473	3,543	3,814	1,707	2,839
Net funds	2,092	3,115	3,485	1,747	2,358

The Group adopted IFRS in 2007 and in accordance with the requirements of IFRS the 2006 figures were restated. Restatement of earlier years was not required under IFRS and accordingly the information presented for 2005 is as prepared under UK GAAP. No significant adjustments would be required for it to comply with IFRS.

In this table exceptional costs have been excluded from cost of sales and overheads to assist with understanding trends.

## **Notice of Annual General Meeting**

Notice is given that the 2010 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 6 May 2010 at 12 00 pm for the following purposes

### **ORDINARY BUSINESS**

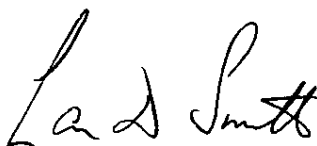
- 1 To receive and adopt the accounts of the Company for the year ended 31 December 2009 together with the Directors' Report and the Auditors' Report and to consider the recommendation of the directors that no dividend be declared in respect of the year
- 2 To reappoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next general meeting of the Company at which accounts are laid before the members and to authorise the directors to determine their remuneration
- 3 To reappoint Mr Ian D Smith, 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  
**I D SMITH**  
Secretary



25 March 2010

**Registered Office.**  
Inditherm House  
Houndhill Park  
Bolton Road  
Wath-upon-Deerne  
S63 7LG



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## 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 this 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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12 00 pm on 4 May 2010. 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 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 00 pm on 4 May 2010 or in the case of any adjournment no later than 48 hours before the time fixed for the adjourned meeting.
- 8 Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6 00 pm on 4 May 2010 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.

## Financial Calendar

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

**Headquarters and Registered Office**

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