

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.

A copy of this document, which comprises a prospectus and has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (as amended) (the "Regulations") has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the Regulations. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Collins Stewart Limited, 9th floor, 88 Wood Street, London EC2V 7QR from the date of this document until the date on which Admission takes place, which is expected to be 14 December 2001 and for one month thereafter.

Application has been made for the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not Officially Listed. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and if appropriate consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to the Official List or for their admission to any other stock exchange. It is expected that dealings in the Ordinary Shares will commence on AIM on 14 December 2001.

Your attention is drawn to the section entitled "Risk Factors" on pages 14 to 16 of this document.

## Inditherm plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3587944)

Placing of 3,432,990 ordinary shares of 1p each  
at 97p per share

Admission to trading on  
The Alternative Investment Market

Nominated Adviser and Broker  
**COLLINS STEWART LIMITED**



### Share capital immediately following Admission

Authorised		Issued and fully paid	
£780,000	78,000,000	Ordinary Shares of 1p each	£103,769.90 10,376,990
£220,000	220,000	Preference shares of £1 each	£220,000 220,000

The Ordinary Shares now being placed will rank *pari passu* in all respects with the existing issued ordinary share capital of the Company including the right to receive all dividends or other distributions hereafter declared, paid or made.

Collins Stewart Limited ("Collins Stewart"), which is a member of and regulated by The Financial Services Authority, is acting exclusively for Inditherm plc and no one else in connection with the proposed Placing and Admission. Collins Stewart will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Collins Stewart nor for providing advice in relation to the transactions and arrangements detailed in this document. Collins Stewart is not making any representation or warranty, express or implied, as to the contents of this document.

## **INDITHERM plc**

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## Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules published by the London Stock Exchange governing admission to and the operation of AIM
"Board"	the Board of Directors of the Company
"Collins Stewart"	Collins Stewart Limited, the Company's nominated adviser and broker (as defined in the AIM Rules)
"Company"	Inditherm plc
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
"CRESTCo"	CRESTCo Limited
"CREST Regulations"	The Uncertificated Securities Regulations 1995 (SI 1995 No. 3272)
"Directors"	the directors of the Company, whose names are set out on page 6 of this document
"Group"	the Company and the Subsidiaries
"Inditherm"	the Inditherm product based on a carbon polymer structure which when a low electrical current is passed across the surface gives off a uniform heat
"London Stock Exchange"	London Stock Exchange plc
"New Ordinary Shares"	the 3,432,990 new Ordinary Shares to be issued pursuant to the Placing
"Official List"	the Official List of the London Stock Exchange
"Ordinary Shares"	ordinary shares of 1p each in the capital of the Company
"Participant ID"	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
"Placing"	the placing by Collins Stewart of the Placing Shares pursuant to the Placing Agreement and as described in this document
"Placing Agreement"	the conditional agreement dated 11 December 2001 between the Company, the Directors, the Vendors and Collins Stewart relating to the Placing and Vendor Placing, as described in paragraph 8 of Part IV of this document

## **INDITHERM plc**

"Placing Price"	97p per Ordinary Share
"Placing Shares"	the 3,432,990 New Ordinary Shares which are subject to the Placing
"Preference Shares"	the 220,000 preference shares of £1 each in the capital of the Company
"Regulations"	the Public Offers of Securities Regulations 1995
"Shareholders"	holders of Ordinary Shares
"Share Incentive Schemes"	the Share Incentive Plan and the Enterprise Management Incentive Scheme referred to in paragraphs 7.1 and 7.2 of Part IV of this document
"Subsidiaries"	Inditherm (Medical) Limited and Inditherm (Industrial) Limited.
"Vendor Placing"	the conditional agreement of Collins Stewart to place the Vendor Placing Shares as set out in the Placing Agreement at the Placing Price
"Vendors"	Mr Patrick O'Grady, Mr James O'Grady and Mr John Buckley
"Vendor Placing Shares"	721,650 Ordinary Shares

## Issue Statistics

Placing Price	97p
Number of Ordinary Shares in issue prior to the Placing	6,944,000
Number of New Ordinary Shares being placed	3,432,990
Number of Ordinary Shares being sold by the Vendors	721,650
Number of Ordinary Shares in issue following the Placing	10,376,990
Number of Preference Shares in issue following the Placing	220,000
Market capitalisation at the Placing Price	£10.07 million
Estimated total proceeds of the Placing	£3.33 million
Estimated expenses of the Placing	£0.79 million
Estimated net proceeds of the Placing receivable by the Company	£2.54 million
Percentage of the enlarged ordinary issued share capital available in the Placing	33.08%

## Expected Placing Timetable

Trading to commence in the issued Ordinary Share capital on AIM and Ordinary Shares credited to CREST	8.00 am on 14 December 2001
Where applicable, definitive share certificates despatched	21 December 2001

## **INDITHERM plc**

### **Directors and Advisers**

<b>Directors</b>	Mark Simon Abrahams ( <i>Non-Executive Chairman</i> ) Patrick James O'Grady ( <i>Chief Executive</i> ) Colin Roy Tarry ( <i>Managing Director</i> ) Keith Albert Lees FCA ( <i>Finance Director</i> ) all of: Commercial Road, Goldthorpe Industrial Estate, Goldthorpe, Rotherham S63 9BL
<b>Company Secretary</b>	Keith Albert Lees FCA
<b>Registered Office</b>	Fosse Bank Parker Road Bigbury on Sea Kingsbridge Devon TQ7 4AT  It was resolved to change the registered office of the Company on 6 December 2001 to: Commercial Road Goldthorpe Industrial Estate Goldthorpe Rotherham S63 9BL  The Registrar of Companies was notified on 7 December 2001.
<b>Nominated Adviser and Broker</b>	Collins Stewart Limited 9th Floor 88 Wood Street London EC2V 7QR
<b>Reporting Accountants and Auditors</b>	Blueprint Audit Limited Foxhall Lodge Gregory Boulevard Nottingham NG7 6LH
<b>Corporate Advisers</b>	Tenon Livingstone Guarantee plc Charnwood House Gregory Boulevard Nottingham NG7 6NX
<b>Solicitors to the Company</b>	freethcartwright Willoughby House 20 Low Pavement Nottingham NG1 7EA
<b>Solicitors to the Placing</b>	Memery Crystal 31 Southampton Row London WC1B 5HT
<b>Registrars</b>	Capita IRG Plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

## **Part I Information on the Group**

### **Introduction**

Inditherm is a new product based on a carbon polymer structure which, when a low electric current is passed across the surface, gives off a uniform heat with no hot or cold spots. The product is material based and has been demonstrated to be flexible, robust, energy efficient and controllable. In addition, use of the product can deliver significant operational cost savings.

The Company has established over the past three years the technical viability of Inditherm which is already generating sales. The Company is now further developing relationships with bluechip customers and strategic partners in markets which the Directors believe Inditherm has considerable potential.

The product currently has principal applications in the following markets:

- Industrial – critical temperature management for pipelines and storage vessels; and
- Medical – heated mattresses and blankets.

The Company also intends to sell the product to third party manufacturers in sectors such as automotive and clothing. The Directors intend to generate revenues by supplying heating solutions to international organisations in each of the market sectors.

The Company has put in place a number of measures to protect its intellectual property including patent applications.

Inditherm has undergone relevant testing for the appropriate certification required by the industries outlined above which include:

- ISO 9001 certification for manufacturing and design;
- CE certification for medical applications;
- BASEEFA certification for limited explosive environments; and
- RJB Mining approval.

### **Inditherm**

Inditherm is based on a formulated carbon polymer structure which, when a low current is passed across the surface, gives off a consistent heat with no hot or cold spots. This is achieved by the carbon molecular structure being excited by an electric current, causing friction between the particles thus generating heat. Crucially, Inditherm has not suffered from failure caused by spark erosion, which means that it can be used in applications which hitherto have had to adopt less effective solutions.

Inditherm is light and flexible enabling it to be mouldable to cover diverse shapes and be used in many environments. It is similar to a normal piece of cloth and can use cloth (or other electrically non-conductive materials) as the substrate onto which it is attached. It operates at low levels of voltage commonly between 6v and 50v. The temperature of Inditherm can be varied depending upon requirements by altering the area covered, density of product, current and the configuration of the conductors.

### **Markets and Applications**

The primary markets at which Inditherm is currently aimed are industrial and medical. The Directors believe there are significant opportunities to market Inditherm through third parties and the Company is already in discussions with a number of potential customers.

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### Industrial

Inditherm is used for critical temperature process control applications in food and chemical processing, to control the temperature of products such as, chocolate, cooking oils, food ingredients and chemicals. The application is an alternative to standard electrical "trace" heating and water based systems, which are used to prevent pipe and tank contents solidifying.

Inditherm is also used for frost protection on valves, actuators, storage vessels and pumps to prevent degradation of performance in cold weather.

Inditherm has a number of advantages against conventional heating technologies including:

- constant temperature on whole pipe;
- hygienically safe;
- all in one package;
- insulated so retains heat even when system turned off;
- easy to use and instantly adjustable;
- easy to install; and
- 24V AC supply to jacket – safe, extra low voltage.

As a result, Inditherm has completed a number of successful installations over the past 18 months including:

Company	Purpose
A world leading confectionery manufacturer	Critical control of chocolate flow temperature
A leading confectionery company	Vapour Line
A leading UK mining company	Actuator valve covers for mine shafts and frost protection for washer equipment
A major UK chemicals manufacturer	Chemical Line
A major UK food manufacturer	Storage Tanks
A water utility	Frost Protection
A world leading food manufacturer	Palm oil line

Following the installation of Inditherm on pipelines at a world leading food manufacturer's factory, the project engineer advised that Inditherm had certain advantages over the traditional methods of heat tracing. These were:

- (a) The ease of removal and installation of Inditherm on and from small sections of pipeline allows the rest of the pipeline system to be left in operation. This was especially useful during commissioning as several leaking joints were found and required rectification without draining the lines, which prevented loss of commissioning and start up production time.
- (b) The ability of the heated lagging to re-heat from cold within a specified time, oil which has congealed in pipelines. This had never been achieved with standard heat trace. Previously, lines had to be stripped and cleaned which had created loss of production of up to 48 hours.
- (c) Installation time was approximately halved using the Inditherm method of heated lagging.

Recent testing at a world leading confectionery manufacturer has demonstrated a 47 per cent. saving in energy costs over existing water heating technology. In addition, Inditherm was proven to be considerably more effective at melting solid chocolate over a controlled period.

## **INDITHERM plc**

### **Medical**

In the medical sector, the current primary use of Inditherm is as a heated mattress to keep patients at a controlled temperature during surgical procedures. The very low voltage (24v) and wattage (60w) used by the Inditherm product makes it safer. A clinical trial concluded that Inditherm was used at minimum cost as a warming device placed beneath the patient for use throughout the whole of the perioperative period. The product is very effective at safely maintaining a patient's core temperature.

As a medical product, tests have been completed over the past two years resulting in Inditherm receiving certification from Amtac Mediq (CE marking, ISO9001, EN46001), SGS (EN60601-1 AMDS A1, A2, A11, A12, A13, EN60601-2-35). A medical trial concluded that the Inditherm mattress combined with fluid warming and avoidance of unnecessary body exposure during anaesthesia is able to prevent significant inadvertent hypothermia in patients undergoing major abdominal or orthopaedic surgery and that "use of the reusable equipment in this manner could have dramatic cost saving implications within an Operating Department over the course of a financial year". Some of the hospitals already using the product include:

- Wythenshawe, Manchester;
- Royal Cornwall (Truro);
- Portsmouth;
- Kings College;
- Queens Medical Centre (Nottingham);
- Pinderfields (Wakefield); and
- Rotherham.

In addition, the following private hospital groups are using the product:

- BUPA;
- BMI Healthcare;
- Community Hospital Group; and
- Plastic Surgery Facilities – Transform.

On 15 August 2001, the Company signed an exclusive distribution and development agreement with Pegasus Limited. Pegasus is a subsidiary of the Swedish medical equipment supplier Getinge AB. Getinge also owns one of the leading operating table manufacturers, Maquet AG. Under this agreement Pegasus has exclusive rights to market the existing medical products worldwide using their own resources in the UK and USA as well as the Getinge group's existing network throughout Europe, opening up routes to market previously inaccessible to the Company. The agreement is for a term of 10 years and places certain performance obligations on Pegasus. The initial purchase price for the exclusive rights was £400,000 of which £200,000 has already been paid and the rest is due on 31 January 2002.

Under this agreement Pegasus, agrees to obtain approval from the Food and Drug Administration for USA market access.

## **INDITHERM plc**

### **Other Medical Opportunities**

As part of the Pegasus agreement other market opportunities could include developing a complementary range of warming products for use with their existing alternating pressure mattresses and wound treatment products.

Over the period of the agreement, the Directors believe that there may be other opportunities to develop medical products for use by Pegasus and other members of the Getinge Group.

A further application, not covered by the agreement with Pegasus is the use of the technology for a range of mountain and air sea rescue products.

### **Third Party Applications**

#### *Automotive*

The initial application for the automotive sector is for a heated steering wheel. A development contract has been awarded to Inditherm by a major European supplier of steering wheels. The Directors believe that Inditherm may be used on vehicles due to be released in 2002.

Inditherm could also be used for automotive seat heating applications.

#### *Clothing*

The flexible and robust nature of Inditherm coupled with its energy efficiency enables heated pads powered by lightweight batteries to be inserted into clothing. This has applications in a range of clothing types and a number of areas of potential development have been explored.

The Company is in discussions with a supplier of leased survival suits in the UK, with a view to incorporating a battery operated Inditherm pad within survival suits which are used by a number of groups including offshore workers and military personnel. The Directors believe that incorporating a heated pad could increase survival time in water and might result in a fundamental change to procedures relating to the use of survival suits.

In the sporting and leisure market Inditherm could be used for wearer comfort, so the testing would not be as exhaustive as survival suits. Currently, the Company is in discussions with manufacturers of sports clothing in the US and Europe.

There are further potential clothing applications for police and rescue services. In February 2001 the Company delivered heated vests to Dyfed and Powys Police Force.

#### *Heated cylinders*

The Company is currently undertaking a series of tests in connection with using Inditherm to heat and maintain the temperature of hot water cylinders. In addition, Inditherm is able to heat the entire water volume of the cylinder.

#### *Pharmaceutical transportation*

Laminar Medica has accepted the Company's development proposal to design a heated insert for the shipment of pharmaceuticals under critical temperature constraints. Development commenced in late 2001, with initial products expected to be brought to market in mid 2002.

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### Strategy

The Company has and intends to continue to develop the Inditherm technology in house, and intends to expand its capabilities in order to exploit new applications. The Directors intend to generate revenue by forming strategic partnerships with market leaders in the UK, Europe and overseas who will act as the route to market, thus increasing the overall product range and diversity, whilst avoiding costs associated with developing new and unknown markets.

### Competition

The Company has produced a new product which could be applied to a range of applications that are currently serviced by a mixture of generally dated technologies.

The Directors believe that competitive products in the industrial sector, which include wire tracing, steam and hot water based solutions, are less effective, more dangerous and expensive.

In the medical sector hot air technology is sometimes used to heat patients during surgical procedures. A clinical trial concluded that Inditherm would have dramatic cost saving implications within an operating department over the course of a financial year.

### Intellectual Property

#### Patents

- (i) The Inditherm technology was initially developed by Mr Patrick O'Grady and Mr John Buckley (who have assigned all of their intellectual property rights in Inditherm to the Company). Based upon two UK patent applications the Company has filed an international patent application using the mechanism of the Patent Cooperation Treaty. The preliminary international examination under this process has not revealed any relevant prior art that pre-dates the applications.
- (ii) There is also a further new application for a steering wheel related invention based upon Inditherm. There has been no preliminary examination of the application as yet. At the present time, this is a UK application only.

#### Trade Marks

The company has three registered trade marks. It has INDITHERM registered as a UK Trade Mark and also as a Community Trade Mark ("CTM") throughout the EU. It also has a CTM registration of CLOTHERM (1634831).

Details of the Company's intellectual property are contained in paragraph 13 of Part IV.

### Financial Information

The trading record of the Group, which is extracted without adjustment from the Accountants' Report set out in Part II, is summarised below. Investors should read this document as a whole and not rely solely on the key or summarised information in this section.

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
Turnover	108	35	161	408
Gross profit	88	8	94	228
Operating loss	(55)	(147)	(318)	(110)
Loss on ordinary activities before tax	(65)	(148)	(329)	(130)

The first period's results date from incorporation on 25 June 1998. The Company commenced trading on 1 January 1999.

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### **Current Trading and Prospects**

Whilst the Company continues to be loss making, it has made good progress in the development and application of Inditherm in its chosen markets. The Directors believe that given the level of interest in Inditherm from potential customers, the Company will be able to exploit these markets and accordingly the Directors look forward to the future with confidence.

### **Board**

#### *Mark Abrahams (aged 46) – Non-Executive Chairman*

Mark is currently the chief executive of Fenner plc, the non executive chairman of Darby Group Plc and a director of the British Rubber Manufacturers' Association Limited. At Fenner he has led a strategy of converting the group from a power transmission manufacturer to a world leader in reinforced polymers. He is a Chartered Accountant and a companion of the Institute of Management.

#### *Patrick James O'Grady (aged 57) – Chief Executive*

Patrick is an engineer by training and has been involved in engineering companies for most of his working life including running PJO Industrial Limited which provides equipment and services to utility companies principally electronic, hydraulic and mechanical repair and calibration. He has been closely involved in the development of Inditherm over several years using the resources of PJO Industrial Limited prior to founding the Company in 1998. PJO Industrial Limited is a company which is controlled by Mr O'Grady.

#### *Colin Tarry (aged 42) – Managing Director*

Colin joined the Company in 1999, he has extensive experience in growing technology businesses in international markets. A production engineer by training, he has 15 years experience at board level in successful turnaround and start up businesses in both UK and USA. He also has been a member of group acquisition and strategy panels for technology divisions of Penny & Giles PLC and Bowthorpe PLC.

#### *Keith Lees (aged 50) – Finance Director*

Keith joined the company in December 2001, he is a Chartered Accountant and has 25 years' industrial experience gained at group and operating company level in both public and private companies mainly in the manufacturing, engineering and contracting sectors. Recently, Keith has been finance director for Plumbs Limited and acting finance director of AB Marwin Limited.

### **Reasons for the Placing and Use of Proceeds**

The Directors consider that the Admission of the Company's shares to AIM will be an important step in its development and will enhance its standing within the market place.

In particular, the Company intends to apply the net proceeds of the Placing of £2.54 million, after the deduction of expenses amounting to £0.79 million (including VAT) to:

- (i) repay the balance of loans made by PJO Industrial Limited to the Company (£102,000 in aggregate at 31 October 2001);
- (ii) redeem the Preference Shares held by PJO Industrial Limited and arrears of cumulative dividend (£223,000 in aggregate); and
- (iii) the provision of working capital.

The Admission of the Company's shares will also provide opportunities for the Group's employees to participate in the future success of the Group and should help attract and retain high calibre staff.

### **Details of the Placing**

The Company is issuing 3,432,990 new Ordinary Shares pursuant to the Placing at the Placing Price, which will raise approximately £2.54 million (net of expenses) and will represent approximately 33.08 per cent. of the enlarged issued share capital following the Placing.

The Placing Shares will be issued fully paid and will, on issue, rank *pari passu* with the Ordinary Shares already in issue, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid.

The Placing is conditional upon Admission becoming effective and the Placing Agreement becoming unconditional in all respects. Details of the Placing Agreement are contained in paragraph 8 of Part IV of this document.

### **Disposals**

Collins Stewart has agreed with Mr Patrick O'Grady in the Placing Agreement to use its reasonable endeavours to procure purchasers for up to 515,464 of his Ordinary Shares at the Placing Price.

Collins Stewart has agreed with Mr James O'Grady in the Placing Agreement to use its reasonable endeavours to procure purchasers for up to 103,093 of his Ordinary Shares at the Placing Price.

Collins Stewart has agreed with Mr John Buckley in the Placing Agreement to use its reasonable endeavours to procure purchasers for up to 103,093 of his Ordinary Shares at the Placing Price.

Following the sale of their Ordinary Shares Mr Patrick O'Grady will hold 3,449,536 Ordinary Shares (representing 33.24 per cent. of the issued ordinary share capital), Mr James O'Grady will hold 341,407 Ordinary Shares (representing 3.29 per cent. of the issued ordinary share capital) and Mr John Buckley will hold 452,407 Ordinary Shares (representing 4.36 per cent. of the issued share capital).

### **Lock-in Arrangements**

Except as disclosed above Mr Patrick O'Grady, except in certain specified instances, has undertaken as follows:

- (a) not to dispose of any of his Ordinary Shares following the Placing for a period of one year from the date of Admission;
- (b) not to dispose of more than 50 per cent. of those Ordinary Shares in the following year.

Mr Colin Tarry has undertaken not to dispose of any of his Ordinary Shares following the Placing for a period of one year from the date of Admission except in certain specified circumstances.

Mr John Buckley has undertaken not to dispose of any of his Ordinary Shares following the Placing for a period of one year from the date of Admission except in certain specified circumstances.

Brymarc Limited has undertaken not to dispose of 50 per cent. of its Ordinary Shares following the Placing for a period of one year from the date of Admission except in certain specified circumstances.

### **Corporate Governance**

The Company has taken steps to ensure that, where practicable for a company of its size, the Combined Code will be complied with and the appropriate corporate governance and structures have been put in place.

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The Board includes three executive directors and a non-executive Chairman. The Company intends to appoint a second non-executive director as soon as possible following Admission. The Company will hold at least 6 Board meetings throughout the year at which reports relating to the Company's operations, together with financial reports will be considered. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The audit committee will consist of the Chairman, and, when appointed, another non-executive Director of the Company and will initially be chaired by the Chairman. Until a non-executive director is appointed it will consist of the Chairman alone. The audit committee will meet at least twice each year. The audit committee will be responsible for ensuring that the financial performance of the Group is properly monitored and reported on. It will have the opportunity to meet the auditors without executive Board members being present and will review reports relating to accounts and internal control systems.

The remuneration committee will consist of the Chairman and, when appointed, another non-executive director of the Company and will initially be chaired by the Chairman. Until a non-executive Director is appointed, it will consist of the Chairman alone. The remuneration committee will review the performance of executive directors and set their remuneration. The remuneration committee will also make recommendations to the full Board concerning remuneration and the allocation of share options to directors and employees. The remuneration and terms of appointment of non-executive directors will be set by the Board.

The Company will take all reasonable steps to ensure compliance by Directors and relevant employees with the provisions of the AIM Rules relating to dealings in securities.

### **Dividend Policy**

The Board anticipates that, following the Placing, cash resources will be retained for the development of the Group's business and will not be distributed for the foreseeable future. The declaration and payment by the Company of any dividends and the amount thereof will depend on the results of the Group's operations, its financial position, cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time.

### **CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles of Association of the Company permit the holding of Ordinary Shares under the CREST system. All the Ordinary Shares will be in registered form and no temporary documents of title will be issued. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares will commence on 14 December 2001. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes.

### **Risk Factors**

An investment in the Ordinary Shares is subject to a number of risks. Prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, before making any investment decision. The information below does not purport to be an exhaustive list. Investors should consider carefully

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whether investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances. Before making any final decision, prospective investors in any doubt should consult with an investment adviser authorised under The Financial Services and Markets Act 2000. If any of the following risks were to materialise, the Company's business, financial condition, results and/or future operations could be materially adversely affected. In such case, the market price of the Ordinary Shares could decline and an investor may lose all or part of his/her investment. Additional risks and uncertainties not presently known to Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company.

The risks referred to above include the following:

- *New products and timing of revenues*

The Group's success is dependent upon, in part, the acceptance in the market of the Inditherm product. Whilst the Directors are encouraged by the current levels of interest in these products, there can be no guarantee of the amount of revenue which they will generate for the Group.

- *Patent protection*

The Company's success will depend, to a certain extent, upon the Company's ability to obtain and enforce patent registration for the Inditherm product and its method of manufacture. There can be no assurance that patent applications which the Company has made or will make, shall be granted, or that once granted shall not be revoked, nor that the technologies and any new products under development by the Company will not infringe the patents or other intellectual property rights of others.

Furthermore, there can be no assurance that the Company's patent and/or design rights, if granted, can be used successfully to protect its intellectual property against unauthorised use by others or to compensate the Company fully for such unauthorised use. Whilst the Company can develop and launch new products without patent protection the likelihood of early competition based on the same technology is significantly increased.

- *Regulatory*

Adverse incidents involving medical products are required to be notified by hospitals to the Medical Devices Agency ("MDA") in England and Wales and to the Incident Reporting and Investigation Centre ("IRIC") of Scottish Healthcare Supplies (in Scotland). The agencies have the power (amongst other things) to require product recalls.

An adverse incident notice involving a burn to an elderly patient's back occurred during a procedure using an Inditherm mattress and was referred to IRIC who invited the Company to comment on the incident in October 2001. The Company has submitted a detailed report on the incident to both IRIC and MDA. The Company also instructed Sheffield Hallam University to carry out fatigue testing on a piece of Inditherm. This concluded that there was no evidence of any damage caused to the conductive foil material by exposure to fatigue testing.

The Company considers that the burn was caused by the outer and inner layers of the mattress being punctured by an external device. IRIC have acknowledged receipt of the Company's report which they propose to evaluate. MDA have notified the Company in writing that they propose to take no further action.

## **INDITHERM plc**

- *Competition*

New products launched by new entrants to the markets in which the Company operates may adversely affect the Company's business. Many of the companies that have products which compete with the Group are significantly larger than the Company and have greater financial resources.

- *Share price volatility*

The share price of publicly quoted companies can be volatile. The price of shares is dependent upon a number of factors some of which are general, market or sector specific and others which are specific to the Company. The value of an Ordinary Share may go down as well as up.

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

- *Suitability*

An investment in the Company may not be suitable for all recipients of this document. A prospective investor should consider carefully whether an investment in the Company is suitable for him or her in the light of his or her personal circumstances and the financial resources available to him or her. Investors are therefore strongly recommended to consult an investment adviser authorised under the UK Financial Services and Markets Act 2000 who specialises in investments of this kind before making their decision to invest.

### **Taxation**

Information regarding United Kingdom taxation with regard to the Placing is set out in paragraph 16 of Part IV of this document. If you are in any doubt as to your tax position, you should contact your professional adviser immediately.

### **Further Information**

Your attention is drawn to the additional information set out in Parts II to IV of this document.

## **Part II Accountants' Report on Inditherm plc**

The Directors  
Inditherm plc  
Commercial Road  
Goldthorpe Industrial Estate  
Goldthorpe  
Rotherham S63 9BL



Foxhall Lodge  
Gregory Boulevard  
Nottingham NG7 6LH

The Directors  
Collins Stewart Limited  
9th Floor  
88 Wood Street  
London EC2V 7QR

11 December 2001 ✓

Dear Sirs

### **INDITHERM PLC**

We report on the financial information set out below relating to Inditherm plc. This financial information has been prepared for inclusion in the prospectus dated 11 December 2001 of Inditherm plc ("the Company").

### **Basis of preparation**

The Company was incorporated on 25 June 1998 under the name of PJO Industrial (Inditherm) Limited and changed its name to PJO (Inditherm) Limited on 30 July 1998. The Company commenced trading on 1 January 1999. The Company re-registered as a public limited company and changed its name to Inditherm plc on 7 December 2001.

The financial information set out below is based on the audited financial statements covering the period from incorporation to 30 June 1999, the unaudited financial statements for the periods ended 31 December 1999 and 2000 and the unaudited interim management accounts for the 10 months ended 31 October 2001 after making such adjustments as were considered necessary.

Geoffrey Britton & Co, Chartered Accountants and Registered Auditors, of Old Linen Court, 83-85 Shambles Street, Barnsley, South Yorkshire, S70 2SB were the registered auditors of the Company for the period ended 30 June 1999. In subsequent periods, the Company has been exempt from an audit as conferred under Section 249A of the Companies Act 1985. Its accountants for the period ended 31 December 1999 were Reid & Co Corporate Services Limited and the exemption under the Companies Act 1985 from the requirement for either an auditors' or an accountants' report was taken for the year ended 31 December 2000.

No cash flow statements had previously been prepared for the Company as it has been exempt from the requirement to do so as a small company as defined by the Companies Act 1985. The cash flow statements as set out below have been specifically prepared by ourselves for inclusion in this report.

## **INDITHERM plc**

The amounts shown in each of the financial statements for the periods to 31 October 2001 have been restated to reflect a change in the accounting policy for development costs. As originally reported, an element of such costs had been capitalised. The Directors consider a policy of writing off the costs as incurred would be more prudent and appropriate to the current stage of development of the business.

We have also re-stated gross profits over the reporting periods to be consistent with the current policy. No other adjustments were considered necessary.

### **Responsibility**

Such financial statements are the responsibility of the Directors of Inditherm plc who approved their issue.

The Directors of Inditherm plc are responsible for the contents of the prospectus dated 11 December 2001 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors Geoffrey Britton and Co and the accountants Reid & Co Corporate Services Limited. We have performed such additional procedures as we deemed necessary to give the opinion expressed below.

Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion, the financial information gives, for the purposes of the prospectus dated 11 December 2001, a true and fair view of the state of affairs of Inditherm plc at the dates stated and of its results for the periods then ended.

### **Consent**

We consent to the inclusion in the prospectus dated 11 December 2001 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

# INDITHERM plc

## Profit and loss accounts

	Note	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
Turnover	2	108	35	161	408
Cost of sales		(20)	(27)	(67)	(180)
<b>Gross profit</b>		88	8	94	228
Administrative expenses		(143)	(155)	(412)	(338)
<b>Operating loss</b>	5	(55)	(147)	(318)	(110)
Interest payable		(10)	(1)	(11)	(20)
<b>Loss on ordinary activities before taxation</b>		(65)	(148)	(329)	(130)
Taxation credit on loss on ordinary activities	6	—	—	—	26
<b>Loss on ordinary activities after taxation</b>		(65)	(148)	(329)	(104)
Dividends	16	—	—	—	(3)
<b>Loss for the period/year</b>	16	(65)	(148)	(329)	(107)

Turnover relates to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The first period's results date from incorporation on 25 June 1998. PJO commenced trading on 1 January 1999.

## INDITHERM plc

### Balance sheets

	Note	At 30 June 1999 £'000	At 31 December 1999 £'000	At 31 December 2000 £'000	At 31 October 2001 £'000
<b>Fixed assets</b>					
Intangible assets	7	129	122	108	97
Tangible assets	8	<u>4</u>	<u>4</u>	<u>24</u>	<u>38</u>
		133	126	132	135
<b>Current assets</b>					
Stocks	9	112	107	77	48
Debtors	10	<u>50</u>	<u>28</u>	<u>49</u>	<u>271</u>
		162	135	126	319
<b>Creditors : amounts falling due within one year</b>					
Deferred income	11	—	—	—	(200)
Other creditors	11	<u>(150)</u>	<u>(134)</u>	<u>(247)</u>	<u>(342)</u>
		(150)	(134)	(247)	(542)
<b>Net current assets/(liabilities)</b>					
		<u>12</u>	<u>1</u>	<u>(121)</u>	<u>(223)</u>
<b>Total assets less current liabilities</b>					
		145	127	11	(88)
<b>Creditors : amounts falling due after more than one year</b>					
	12	<u>(200)</u>	<u>(280)</u>	<u>(75)</u>	<u>(80)</u>
<b>Net liabilities</b>					
		<u>(55)</u>	<u>(153)</u>	<u>(64)</u>	<u>(168)</u>
<b>Capital and reserves</b>					
Called up share capital	14	10	11	234	234
Share premium account	15	—	49	244	244
Profit and loss account	16	<u>(65)</u>	<u>(213)</u>	<u>(542)</u>	<u>(646)</u>
<b>Deficit in shareholders' funds</b>					
	17	<u>(55)</u>	<u>(153)</u>	<u>(64)</u>	<u>(168)</u>
<b>Comprising</b>					
Equity interests		(55)	(153)	(284)	(391)
Non-equity interests		<u>—</u>	<u>—</u>	<u>220</u>	<u>223</u>
		<u>(55)</u>	<u>(153)</u>	<u>(64)</u>	<u>(168)</u>

# INDITHERM plc

## Cash flow statements

		Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
	Note				
<b>Net cash</b>					
<b>(outflow)/inflow from</b>					
<b>operating activities</b>	20a	(151)	(83)	(224)	49
<b>Returns on</b>					
<b>investments and</b>					
<b>servicing of finance</b>					
Interest paid		(10)	(1)	(11)	(20)
<b>Capital expenditure</b>					
Purchase of tangible					
fixed assets		(4)	(1)	(9)	(9)
Purchase of intangible					
fixed assets		(136)	—	—	—
<b>Net cash</b>					
<b>(outflow)/inflow before</b>					
<b>financing</b>		(301)	(85)	(244)	20
<b>Financing</b>					
Capital element of hire					
purchase repayments		—	—	(2)	(8)
Movement on factoring					
account		—	9	20	18
Related party loan from					
PJO Industrial Limited		278	2	8	—
Issue of shares		10	50	198	—
<b>Net cash inflow from</b>					
<b>financing</b>		288	61	224	10
<b>(Decrease)/increase in</b>					
<b>cash</b>	20c	(13)	(24)	(20)	30

## **INDITHERM plc**

### **Notes to the Financial Information**

#### **1. Principal accounting policies**

##### *Accounting convention*

The financial information has been prepared under the historical cost convention and is in accordance with applicable accounting standards. The following principal accounting policies have been applied:

##### *Going concern*

At 31 October 2001, the Company had net liabilities of £168,000 and incurred a loss on ordinary activities after taxation in the period of £104,000. In the event that the Placing does not proceed, the Company is dependent upon the continued support of its bankers and other creditors. On the assumption that such support would continue to be available, the Directors consider it appropriate that the financial information is prepared on a going concern basis.

##### *Turnover*

Turnover represents sales to outside customers at invoiced amounts less value added tax and trade discounts.

Where appropriate, the recognition of income is deferred according to the specific circumstances of material transactions, as disclosed in note 11.

##### *Intangible fixed assets*

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

##### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

- |                       |                     |
|-----------------------|---------------------|
| • Plant and machinery | – 20% straight line |
| • Office equipment    | – 20% straight line |
| • Motor vehicles      | – 20% straight line |

##### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

##### *Deferred taxation*

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability will crystallise.

##### *Assets held under leases and hire purchase contracts*

Where assets are financed by hire purchase contracts which give rights approximating to ownership the assets are treated as if they had been purchased outright. The amount capitalised is the cost of the asset and the corresponding leasing commitments are shown as amounts payable to the contractor. Depreciation on the relevant assets is charged to the profit and loss account.

Hire purchase payments are split between capital and finance charges, the finance charges being charged to the profit and loss account. The capital element reduces the amounts payable to the contractor.

Leases entered into that do not give rights approximating to ownership are operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

## INDITHERM plc

### *Pension costs*

Contributions to the employees' personal pension schemes are charged to the profit and loss account in the period in which they become payable.

### *Research and development costs*

Research expenditure is written off in the year in which it is incurred. Development costs incurred on specific projects are carried forward to the extent that they are expected to be recovered against future income from the subsequent sale of the products concerned. Deferred development expenditure is written off in line with the period of the expected use arising from the products, up to a maximum of 10 years. All other development costs are written off in the period in which they are incurred.

## 2. Turnover

All turnover, losses and net liabilities are attributable to the principal activities being the manufacture, sale and installation of specialised heating materials.

The turnover is attributable to the following geographical markets:

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
United Kingdom	68	35	121	402
Continental Europe	—	—	40	6
Rest of the World	40	—	—	—
	<u>108</u>	<u>35</u>	<u>161</u>	<u>408</u>

## 3. Directors' remuneration

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
Remuneration for management services	—	—	77	79
Pension contributions	—	—	—	7
	<u>—</u>	<u>—</u>	<u>—</u>	<u>7</u>

The number of Directors to whom retirement benefits were accruing was as follows:

	No.	No.	No.	No.
Personal pension schemes	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>

## INDITHERM plc

### 4. Staff costs

Staff costs including Directors and salary recharges from PJO Industrial Limited were as follows:

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
Wages and salaries	78	76	206	201
Social security costs	—	—	18	16
Other pension costs	—	—	—	7
	<u>78</u>	<u>76</u>	<u>224</u>	<u>224</u>

Average number of persons including executive Directors employed:

	Period ended 30 June 1999 Number	6 months ended 31 December 1999 Number	Year ended 31 December 2000 Number	10 months ended 31 October 2001 Number
Management and administration	1	1	2	2
Sales	1	1	2	3
Development	1	1	1	2
Production	—	—	5	4
	<u>3</u>	<u>3</u>	<u>10</u>	<u>11</u>

In addition, the Company receives certain administrative services from employees of PJO Industrial Limited which are recharged at cost from that company. During 1999, PJO Industrial Limited also supplied production labour at cost.

### 5. Operating loss

This has been arrived at after charging/(crediting):

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
Depreciation	—	1	4	5
Amortisation	7	7	14	11
Research and development expenditure	34	57	155	70
Auditors' remuneration – audit	1	—	—	—
Exceptional income (see note 11)	<u>—</u>	<u>—</u>	<u>—</u>	<u>(200)</u>

### 6. Taxation credit on loss on ordinary activities

The Company has corporation tax losses estimated at £370,000 available for relief against future trading profits and a credit of £26,000 has been claimed in the period ended 31 October 2001 in respect of development expenditure incurred.

**INDITHERM plc****7. Intangible assets**

£'000

*Cost*

Additions and at 30 June 1999, 31 December 1999, 31 December 2000  
and 31 October 2001

136*Amortisation*

Charge for the period and at 30 June 1999

7

Charge for the period

7

At 31 December 1999

14

Charge for the year

14

At 31 December 2000

28

Charge for the period

11

At 31 October 2001

39*Net book value*

At 30 June 1999

129

At 31 December 1999

122

At 31 December 2000

108

At 31 October 2001

97

Products under development, including the associated intellectual property rights, were purchased from PJO Industrial Limited at a cost of £136,000 as disclosed in note 19 below. These are being amortised over a period of 10 years.

## INDITHERM plc

### 8. Tangible assets

	Motor vehicles £'000	Plant, machinery, and office equipment £'000	Total £'000
<i>Cost</i>			
Additions and at 30 June 1999	—	4	4
Additions	—	1	1
At 31 December 1999	—	5	5
Additions	20	4	24
At 31 December 2000	20	9	29
Additions	—	19	19
At 31 October 2001	20	28	48
<i>Depreciation</i>			
Charge for the period and 30 June 1999	—	—	—
Charge for the period	—	1	1
At 31 December 1999	—	1	1
Charge for the year	2	2	4
At 31 December 2000	2	3	5
Charge for the period	3	2	5
At 31 October 2001	5	5	10
<i>Net book value</i>			
At 30 June 1999	—	4	4
At 31 December 1999	—	4	4
At 31 December 2000	18	6	24
At 31 October 2001	15	23	38

### 9. Stocks

	At 30 June 1999 £'000	At 31 December 1999 £'000	At 31 December 2000 £'000	At 31 October 2001 £'000
Raw materials	68	92	70	36
Work in progress	17	15	7	12
Finished goods	27	—	—	—
	112	107	77	48

## INDITHERM plc

### 10. Debtors

	At 30 June 1999 £'000	At 31 December 1999 £'000	At 31 December 2000 £'000	At 31 October 2001 £'000
Trade debtors	37	24	44	267
Other debtors	13	4	5	4
	<u>50</u>	<u>28</u>	<u>49</u>	<u>271</u>

All amounts shown under debtors fall due for payment within one year.

### 11. Creditors: amounts falling due within one year

	At 30 June 1999 £'000	At 31 December 1999 £'000	At 31 December 2000 £'000	At 31 October 2001 £'000
Bank overdraft	13	37	57	27
Factoring account	—	9	29	47
Trade creditors	59	31	33	92
Obligations under hire purchase contracts	—	—	6	3
Taxation and social security	—	—	47	88
Directors' loan accounts	—	—	19	40
Other creditors	78	57	56	45
	<u>150</u>	<u>134</u>	<u>247</u>	<u>342</u>
Deferred income	—	—	—	200

The bank overdraft is secured by a fixed and floating charge over the assets of the Company and Directors' personal guarantees.

Amounts due to the debt factor company are secured against the trade debtors to which they relate as disclosed in note 10.

Other creditors include amounts due to PJO Industrial Limited of £34,000 at 31 October 2001 (£52,000 at 31 December 2000, £50,000 at 31 December 1999, and £78,000 at 30 June 1999).

Deferred income relates to the second tranche of income receivable in 2002 from a customer in respect of the sale of worldwide distribution rights in the medical market for particular products developed by the Company.

The Directors of the Company consider the amounts received and receivable are non-refundable, that there is a reasonable certainty of receipt of monies collectable, and that substantially all obligations under this signed contract for related service requirements by the Company will have been met by the end of 31 December 2002.

During the period ended 31 October 2001, the first tranche of £200,000 due under this agreement was received and has been taken to revenue and profits. Certain associated development and training costs have already been expensed to the profit and loss account in this and earlier periods. Some remaining service costs, such as training, will be matched against the second tranche of income receivable in 2002.

## INDITHERM plc

### 12. Creditors: amounts falling due after more than one year

	At 30 June 1999 £'000	At 31 December 1999 £'000	At 31 December 2000 £'000	At 31 October 2001 £'000
Obligations under hire purchase contracts – due within five years	—	—	7	12
Other creditors	200	280	68	68
	<u>200</u>	<u>280</u>	<u>75</u>	<u>80</u>

Other creditors represent a loan from PJO Industrial Limited which will be repaid out of the proceeds of the Placing. Historically, the loan has attracted interest at 4 per cent. per annum above the bank's base rate and the repayment terms have been informal.

### 13. Deferred taxation

The Company has no liability to deferred taxation due to the availability of trading losses.

### 14. Share capital

	At 30 June 1999 £'000	At 31 December 1999 £'000	At 31 December 2000 £'000	At 31 October 2001 £'000
<i>Authorised</i>				
10,485 Ordinary Shares of £1 each: equity	98	98	11	11
3,403 'A' Ordinary Shares of £1 each: equity	2	2	3	3
220,000 Preference Shares of £1 each: non-equity	—	—	220	220
	<u>100</u>	<u>100</u>	<u>234</u>	<u>234</u>
<i>Allotted</i>				
10,485 Ordinary Shares of £1 each: equity	10	11	11	11
3,403 'A' Ordinary Shares of £1 each: equity	—	—	3	3
220,000 Preference Shares of £1 each: non-equity	—	—	220	220
	<u>10</u>	<u>11</u>	<u>234</u>	<u>234</u>

10,000 ordinary shares of £1 each were allotted at par in the period from incorporation to 30 June 1999.

In the period ended 31 December 1999, a further 555 ordinary shares of £1 each were issued at £1.50 per share and a further 555 ordinary shares of £1 each were issued for £50,000 at a premium of £49,445.

In the year ended 31 December 2000, the share capital was reorganised by the issue of a further 2,778 'A' ordinary shares of £1 each for a consideration of £197,000, resulting in a premium of £194,222, and the conversion of 625 ordinary shares of £1 each into 'A' ordinary shares of £1 each. Additionally, in this period £220,000 Preference Shares were allotted at par to PJO Industrial Limited on conversion of a long-term loan. The Preference Shares will be redeemed at par out of the proceeds of the Placing, together with cumulative arrears on Preference Share dividends of £3,000 as disclosed in note 16.

# INDITHERM plc

## 15. Share premium account

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
Share premium brought forward	—	—	49	244
Premium on issue of shares (note 14)	—	49	195	—
Share premium carried forward	—	49	244	244

## 16. Profit and loss account

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
Profit and loss account brought forward	—	(65)	(213)	(542)
Loss for the period/year	(65)	(148)	(329)	(107)
Preference Share dividends not paid	—	—	—	3
Profit and loss account carried forward	(65)	(213)	(542)	(646)

The cumulative Preference Share dividends have not been paid due to insufficient distributable reserves at 30 June 2001 (the due date for payment).

## 17. Reconciliation of movements in deficit in shareholders' funds

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
Opening deficit in shareholders' funds	—	(55)	(153)	(64)
Loss for the period/year	(65)	(148)	(329)	(107)
Preference Share dividends not paid	—	—	—	3
Shares issued (including premium)	10	50	418	—
Closing deficit in shareholders' funds	(55)	(153)	(64)	(168)

## **INDITHERM plc**

### **18. Pensions**

The Company contributes to personal pension schemes for the benefit of the Directors. The assets of the schemes are held separately from those of the Company in an independently administered funds. The *pension cost charge represents contributions payable by the Company to the funds and an amount of £7,000 was accrued at 31 October 2001.*

### **19. Related party transactions**

On commencement of trade on 1 January 1999, the Company purchased products under development including the associated intellectual property rights of the Inditherm Product range from PJO Industrial Limited, together with stocks and fixed assets, for £179,000 and assumed full responsibility for historical as well as future development costs. The consideration was calculated on an arm's length basis.

During the period to 31 October 2001, various expenses and salary costs which totalled £60,000 (year ended 31 December 2000 £84,000, period ended 31 December 1999 £137,000, period ended 30 June 1999 £97,000) were charged in the normal course of business at commercial rates to the Company from PJO Industrial Limited. At 31 October 2001, the amount due to PJO Industrial Limited was £102,000 (31 December 2000 £120,000, 31 December 1999 £330,000, 30 June 1999 £278,000). *The loan to PJO Industrial Limited will be repaid out of the proceeds of the proposed Placing.*

Mr. P J O'Grady is a director of PJO Industrial Limited and in the opinion of the Directors has been in control of both that company and Inditherm plc for the periods covered by this report. Mr. P J O'Grady is *also remunerated by PJO Industrial Limited for services to that company.*

From January 2000, the Company has paid rental charges to a director, Mr C Tarry, for the use of an office at an annual rate of £4,500. This represents a recharge at cost and will cease from March 2002.

# **INDITHERM plc**

## 20. Notes to the cash flow statement

### (a) Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
Operating loss	(55)	(147)	(318)	(110)
Depreciation and amortisation	7	8	18	16
(Increase)/decrease in stock	(112)	5	30	29
(Increase)/decrease in debtors	(50)	22	(21)	(222)
Increase in creditors	59	29	67	336
Net cash (outflow)/inflow from operating activities	<u>(151)</u>	<u>(83)</u>	<u>(224)</u>	<u>49</u>

### (b) Reconciliation of net cash flow to movement in net debt

	Period ended 30 June 1999 £'000	6 months ended 31 December 1999 £'000	Year ended 31 December 2000 £'000	10 months ended 31 October 2001 £'000
(Decrease)/increase in cash in the year/period	(13)	(24)	(20)	30
Debt due within one year	(78)	69	(18)	(10)
Debt due after one year	<u>(200)</u>	<u>(80)</u>	<u>(8)</u>	<u>—</u>
Change in net debt resulting from cash flows	(291)	(35)	(46)	20
New hire purchase contracts	—	—	(16)	(9)
Conversion of debt to Preference Shares	<u>—</u>	<u>—</u>	<u>220</u>	<u>—</u>
Movement in net debt in the year/period	(291)	(35)	158	11
Net debt brought forward	<u>—</u>	<u>(291)</u>	<u>(326)</u>	<u>(168)</u>
Net debt carried forward	<u>(291)</u>	<u>(326)</u>	<u>(168)</u>	<u>(157)</u>

### (c) Analysis of changes in net debt

	On incorporation 1998 £'000	Cashflow £'000	Non-cash changes £'000	At 30 June 1999 £'000
Bank overdraft	—	(13)	—	(13)
Related party loan from PJO Industrial Limited	<u>—</u>	<u>(278)</u>	<u>—</u>	<u>(278)</u>
	<u>—</u>	<u>(291)</u>	<u>—</u>	<u>(291)</u>

## INDITHERM plc

	At 1 July 1999 £'000	Cashflow £'000	Non-cash changes £'000	At 31 December 1999 £'000
Bank overdraft	(13)	(24)	—	(37)
Factoring account	—	(9)	—	(9)
Related party loan from PJO Industrial Limited	(278)	(2)	—	(280)
	<u>(291)</u>	<u>(35)</u>	<u>—</u>	<u>(326)</u>
	At 1 January 2000 £'000	Cashflow £'000	Non-cash changes £'000	At 31 December 2000 £'000
Bank overdraft	(37)	(20)	—	(57)
Factoring account	(9)	(20)	—	(29)
Hire purchase agreements	—	2	(16)	(14)
Related party loan from PJO Industrial Limited	(280)	(8)	220	(68)
	<u>(326)</u>	<u>(46)</u>	<u>204</u>	<u>(168)</u>
	At 1 January 2001 £'000	Cashflow £'000	Non-cash changes £'000	At 31 October 2001 £'000
Bank overdraft	(57)	30	—	(27)
Factoring account	(29)	(18)	—	(47)
Hire purchase agreements	(14)	8	(9)	(15)
Related party loan from PJO Industrial Limited	(68)	—	—	(68)
	<u>(168)</u>	<u>20</u>	<u>(9)</u>	<u>(157)</u>

### 21. Post balance sheet events

At 31 October 2001, Mr P J O'Grady also controlled two dormant subsidiary undertakings, Inditherm (Medical) Limited and Inditherm (Industrial) Limited. On 5 November 2001, a group reorganisation took place whereby the Company acquired a 100 per cent. shareholding in Inditherm (Medical) Limited and Inditherm (Industrial) Limited and, on 30 November 2001, all of the intellectual property rights and medical trade of Inditherm plc were transferred to its wholly owned subsidiary, Inditherm (Medical) Limited subject to an exclusive world wide licence back to the Company in respect of all of the intellectual property rights other than those relating to the medical business.

The Company will be subject to a capital reorganisation, conditional on Admission, details of which are set out in Part IV, paragraph 3 of this document.

Yours faithfully

**Blueprint Audit Limited**  
Chartered Accountants

## Part III Pro Forma Statement of Net Assets

The pro forma statement of net assets of Inditherm plc is provided for illustrative purposes only to show the effect on the balance sheet of the Company had the Placing occurred on 31 October 2001. It has been compiled on the basis described below from the balance sheet of the Company at 31 October 2001 as set out in the Accountants' Report in Part II of this document. Due to its nature, the pro forma statement of net assets may not give a true picture of the financial position or results of the Company and is designed to give only an indication of the net assets of the Company.

	At 31 October 2001 £'000	Adjustments Note 1 £'000	Adjustments Note 2 £'000	Pro forma £'000
<b>Fixed assets</b>				
Intangible assets	97	—	—	97
Tangible assets	38	—	—	38
	<u>135</u>	<u>—</u>	<u>—</u>	<u>135</u>
<b>Current assets</b>				
Stocks	48	—	—	48
Debtors	271	—	—	271
Cash at bank and in hand	—	3,080	(102)	2,978
	<u>319</u>	<u>3,080</u>	<u>(102)</u>	<u>3,297</u>
<b>Creditors: amounts falling due within one year</b>				
Bank overdraft	(27)	27	—	—
Other creditors	(515)	(785)	34	(1,266)
	<u>(542)</u>	<u>(758)</u>	<u>34</u>	<u>(1,266)</u>
<b>Net current assets/(liabilities)</b>	<u>(223)</u>	<u>2,322</u>	<u>(68)</u>	<u>2,031</u>
<b>Creditors: amounts falling due after one year</b>				
	<u>(80)</u>	<u>—</u>	<u>68</u>	<u>(12)</u>
<b>Net assets/(liabilities)</b>	<u>(168)</u>	<u>2,322</u>	<u>—</u>	<u>2,154</u>

**Notes:**

(1) The adjustment of £2,322,000 represents the estimated proceeds of the Placing of £3,300,000 less the redemption of Preference Shares and arrears of cumulative dividends of £223,000 and estimated issue costs of £785,000.

(2) The repayment of debt due to PJO Industrial Limited of £102,000.

No adjustments have been made to take account of any changes in the financial position of the Company since 31 October 2001.

## **INDITHERM plc**

The Directors  
Inditherm plc  
Commercial Road  
Goldthorpe Industrial Estate  
Goldthorpe  
Rotherham S63 9BL



Foxhall Lodge  
Gregory Boulevard  
Nottingham NG7 6LH

The Directors  
Collins Stewart Limited  
9th Floor  
88 Wood Street  
London EC2V 7QR

11 December 2001

Dear Sirs

### **INDITHERM PLC**

We report on the pro forma statement of net assets of Inditherm plc set out in Part III of the Prospectus. The pro forma statement of net assets has been prepared for illustrative purposes only, to provide information about how the Placing might have affected the financial information presented.

#### **Responsibility**

It is the responsibility solely of the Directors of Inditherm plc to prepare the pro forma statement of net assets of the Company.

It is our responsibility to form an opinion on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and the Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the Directors of Inditherm plc.

**INDITHERM plc**

**Opinion**

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of Inditherm plc; and
- (c) the adjustments are appropriate for the purposes of the pro forma statement of net assets.

Yours faithfully

**Blueprint Audit Limited**

*Chartered Accountants*

## **Part IV Additional Information**

### **1. Responsibility**

The Directors of the Company, whose names appear on page 6 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **2. Incorporation and Registration**

- 2.1 The Company was incorporated and registered as a private company limited by shares in England and Wales under the Act with the name PJO Industrial (Inditherm) Limited on 25 June 1998. The Company's name was changed to PJO (Inditherm) Limited on 30 July 1998. On 7 December 2001 the Company was re-registered as a public company with the name Inditherm plc. The Company operates under the Act. The liability of the members is limited.
- 2.2 The registered office of the Company is at Fosse Bank, Parker Road, Bigbury on Sea, Kingsbridge, Devon TQ7 4AT and the principal place of business of the Company is at Unit 5, Commercial Road, Goldthorpe Industrial Estate, Goldthorpe, Rotherham, S63 9BL. The registered number of the Company is 3587944.

### **3. Share Capital**

- 3.1 On the date of this document, the authorised share capital of the Company is £1,000,000 divided into 78,000,000 Ordinary Shares of 1p each and 220,000 Preference Shares of £1 each of which 6,944,000 Ordinary Shares and 220,000 Preference Shares are issued and are fully paid.
- 3.2 By written resolutions of the Company dated 6 December 2001 it was resolved (amongst other things) that:
  - 3.2.1 Each of the "A" ordinary shares of £1 each in the capital of the Company be converted into ordinary shares of £1 each.
  - 3.2.2 The authorised share capital of the Company be increased to £1,000,000 by the creation of 766,112 ordinary shares of £1 each
  - 3.2.3 The articles of association in the form produced at the meeting be adopted as the new articles of association of the Company in replacement of, and in substitution for, the existing articles of association of the Company.
- 3.3 On 10 December 2001, by resolutions passed at an Extraordinary General Meeting of the Company, it was resolved (amongst other things) that:
  - (a) each of the Ordinary Shares of £1 each in the capital of the Company be sub-divided into 100 Ordinary Shares of 1p each;
  - (b) £55,552 of share premium account be applied in paying up in full 5,552,000 Ordinary Shares to be issued to the existing shareholders, as a bonus issue, pro rata to their existing shareholdings;

## **INDITHERM plc**

- (c) the Directors were generally and unconditionally authorised for the purposes of Section 80(1) of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £116,244.30. The authority will expire on the earlier of the date of the next Annual General Meeting of the Company or the date which is 15 months from the passing of the resolution (except as regards an allotment being made thereafter pursuant to an offer or agreement made by the Company before that date).
  - (d) the Directors were empowered and authorised under Section 95 of the Act to exercise the powers of the Company to allot equity securities (as defined in Section 94(2) of the Act) of the Company pursuant to the authority referred to in paragraph (e) above as if Section 89(1) of the Act did not apply to the allotment. This authority and power will expire on the earlier of the date of the next Annual General Meeting of the Company or the date which is 15 months from the passing of the resolution (except as regards an allotment made thereafter pursuant to an offer or agreement made by the Company before that date) and will be limited to the allotment of:
    - (i) up to 3,432,990 New Ordinary Shares;
    - (ii) up to 5,552,000 Ordinary Shares in accordance with paragraph 3.3(b);
    - (iii) up to 309,280 Ordinary Shares for the Share Incentive Schemes;
    - (iv) up to 830,160 Ordinary Shares for the options referred to at paragraphs 3.3(g) and 3.4 to 3.7 (inclusive); and
    - (v) up to 1,500,000 Ordinary Shares for cash otherwise than pursuant to (i) – (iii) (inclusive) of this paragraph.
  - (e) the rules constituting the Share Incentive Schemes be approved;
  - (f) the Directors be authorised to grant the options referred to at paragraphs 3.4 to 3.7 (inclusive);
  - (g) the Directors be authorised to grant an option in respect of up to 103,770 Ordinary Shares at an exercise price per share equal to the mid-market value on the date of the grant to one additional non executive director appointed by the Board within 12 months after Admission. The option will have to be exercised before 3 December 2011.
- 3.4 By an agreement dated 10 December 2001 the Company granted an option to Mr A Newman in respect of up to 103,770 Ordinary Shares at an exercise price per share of 48.5p. The option must be exercised before 3 December 2011.
- 3.5 By an agreement dated 10 December 2001 the Company granted an option to Collins Stewart Limited in respect of up to 311,310 Ordinary Shares at an exercise price per share of 97p. The option must be exercised before the fifth anniversary of Admission.
- 3.6 By an agreement dated 10 December 2001 the Company granted an option to Mr M Abrahams in respect of up to 207,540 Ordinary Shares at an exercise price per share of 97p. The option must be exercised before 3 December 2011.
- 3.7 By an agreement dated 10 December 2001 the Company granted an option to Mr C Tarry in respect of up to 103,770 Ordinary Shares at an exercise price per share of 97p. The option must be exercised before 3 December 2011.

## INDITHERM plc

3.8 Save as disclosed in the foregoing sub-paragraphs of this paragraph 3 and paragraphs 5.1 (b) and (c), 7, 10 (e) and (f) below (which relate to the Share Incentive Schemes and to individual share options):

- (a) No share or loan capital of the Company, or any other Company within the Group is under option or has been agreed, conditionally, or unconditionally, to be put under option;
- (b) There is no present intention to issue any of the authorised but unissued share capital of the Company;

3.9 The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company;

### 4. The Subsidiaries

Company	Activities	Date Incorporated	Authorised Share Capital	Issued Share Capital	Amount owned by the Company
Inditherm (Medical) Limited (3652949)	Medical products manufacturer	20.10.98	£100,000	£2	100%
Inditherm (Industrial) Limited (3652963)	Dormant	20.10.98	£100,000	£2	100%

The registered offices of the Subsidiaries are at Fosse Bank, Parker Road, Bigbury on Sea, Kingsbridge, Devon.

### 5. Directors' and Other Interests

5.1 *Directors and other significant interests in the Company's share capital*

- (a) As at close of business on 10 December 2001 (the latest practicable business day prior to the date of this document) the interests (all of which are beneficial) of the Directors and their immediate families in the existing share capital of the Company which have been notified to the Company pursuant to Section 324 or 328 of the Act or which are required to be entered into the Register maintained under the provisions of Section 325 of the Act and (so far as is known to the Directors, having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with Section 346 of the Act) are as follows:

Director	Number of Ordinary Shares	Number of Preference Shares	Approximate percentage of Issued Ordinary Share Capital
Mark Abrahams	Nil	Nil	Nil
Patrick O'Grady	3,965,000	220,000	57.10
Colin Tarry	277,500	Nil	4.00
Keith Lees	Nil	Nil	Nil

(N.B. the Preference Shares held by PJO Industrial Limited<sup>(i)</sup> are to be redeemed in full at par out of the net proceeds of the Placing which together with arrears of cumulative dividend amount in total to £223,000)

<sup>(i)</sup> PJO Industrial Limited is a company controlled by Mr Patrick O'Grady.

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- (b) In addition, options have been granted to Directors as follows:

### Enterprise Management Incentive Scheme

Name	Number of Ordinary Shares under Option	Date of Grant	Expiry Date of Option	Exercise Price per Ordinary Share
Mark Abrahams	—	—	—	—
Patrick O'Grady	—	—	—	—
Colin Tarry	103,093	10.12.01	09.12.11	97p
Keith Lees	51,546	10.12.01	09.12.11	97p

### Unapproved Share Option

Name	Number of Ordinary Shares under Option	Date of Grant	Expiry Date of Option	Exercise Price per Ordinary Share
Mark Abrahams	207,540	10.12.01	03.12.11	97p
Patrick O'Grady	—	—	—	—
Colin Tarry	103,770	10.12.01	03.12.01	97p
Keith Lees	—	—	—	—

Both Colin Tarry and Keith Lees will be eligible to participate in the Share Incentive Plan referred to in paragraph 7.1.

- (c) Immediately following the Placing (assuming all of the Placing Shares are subscribed) the interests (all of which are beneficial) of the Directors, their immediate families and connected persons in the share capital of the Company as appearing in the Register maintained under the provisions of Section 324 of the Act will be as follows:

Director	Number of Ordinary Shares	Approximate percentage of Issued Ordinary Share Capital	Options
Mark Abrahams	25,773	0.25	207,540
Patrick O'Grady	3,449,536	33.24	—
Colin Tarry	277,500	2.67	206,863
Keith Lees	—	—	—

- (d) In addition to the shareholdings detailed above, the Directors are aware of the following persons who will directly or indirectly be interested in 3 per cent. or more of the issued share capital of the Company as enlarged immediately following the Placing.

Holder	Number of Ordinary Shares	Approximate percentage of Issued Ordinary Share Capital
Brymarc Limited	1,701,500	16.40
John Buckley	452,407	4.36
James O'Grady	341,407	3.29

PJO Industrial Limited's holding of Preference Shares is to be redeemed in full at par out of the net proceeds of the Placing and paid a total, together with arrears of cumulative dividend, amounting to £223,000.

Save as described above, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

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### 5.2 Directors' Remuneration and Service Agreements

(a) The aggregate remuneration and benefits in kind of the Directors of the Company in respect of the financial year ended 31 December 2000 was £77,000. The aggregate remuneration and benefits in kind of the Directors of the Group in respect of the financial year ending on 31 December 2001 under the arrangements in force at present is expected to be £125,000.

(b) Service agreements (or in the case of the Chairman, a letter of appointment) have been entered into between the Company and the Directors, the principal terms of which are summarised below:

Directors	Effective Date of Contract	Current Annual Remuneration	Pension Contribution % of Salary	Position
Mark Abrahams	10.12.01	£10,000	Nil	Non-Executive Chairman
Patrick O'Grady	01.12.01	£100,000	5%	Chief Executive
Colin Tarry	01.12.01	£90,000	5%	Managing Director
Keith Lees	10.12.01	£65,000	5%	Finance Director

(c) The executive Directors are also entitled to (i) be reimbursed reasonable out of pocket and other expenses incurred during the course of their duties (ii) a company car or an annual allowance in relation to a car (iii) membership of a private health insurance scheme.

(d) Mr O'Grady and Mr Tarry's service agreements are for an initial fixed period of 2 years terminable on 1 years notice (such notice not to expire before the end of the initial fixed 2 year period). Mr Lees' service agreement is terminable on 3 months notice given before the expiry of 3 months from the date of the agreement and 6 months notice thereafter. The Company is entitled to terminate the service agreements without notice in certain circumstances, including for reasons of serious misconduct.

(e) Mr Tarry and Mr Lees are obliged to work full time for the Company. Mr O'Grady shall dedicate his normal working hours to the fulfillment of his duties for the Company whilst being allowed to spend some of that time fulfilling his obligation to PJO Industrial Limited.

(f) The executive Director's service agreements each contain certain post employment restrictions which prevent them from using the name (or any similar name) of the Company following termination of their employment and also prevent them for a period of 12 months following termination of their employment from:

- (i) soliciting or dealing with any customer, client, agent, distributor or supplier of the Group in competition with the Group; or
- (ii) enticing away or endeavouring to entice away from the Group any person who at any time in the 12 months prior to such termination was an employee or officer of the Group and who reported to the Executive or was in regular contact with the executive; or
- (iii) becoming involved in any business competing with that of the Group.
- (iv) interfering with supplies from any supplier with whom the executive concerned has had personal contract.

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- (g) The executive Director's service agreements also contain restrictions which prevent them from using the intellectual property or confidential information of the Group (during or after their employment by the Group) otherwise than for the purposes of the Group.
- (h) Mr M Abrahams has been engaged as a non-executive Director on the terms of a letter dated 10 December 2001 for a fixed period of 2 years.
- (i) Except as disclosed in this document, there are no service agreements existing or proposed between the Directors, the Company or the Subsidiary which are not terminable within one year by the relevant company without payment of compensation other than statutory compensation.
- (j) At the date hereof, Mr O'Grady is owed £16,821.15 in respect of outstanding salary and pension contributions. Mr Tarry is owed £33,226.84 in respect of outstanding salary and pension contributions. This will be paid immediately after Admission. There is no other arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

### 5.3 *Loans and Guarantees*

There are no loans or guarantees provided by any member of the Group for the benefit of any Director.

### 5.4 *Directors Interests in Transactions*

Since the Company commenced trading various expenses and salary costs detailed in note 19 to the Accountants' Report in Part II have been charged to the Company by PJO Industrial Limited. Apart from that and except as disclosed elsewhere in this document no Director has or has had any interest in any transaction which is of an unusual nature, contains unusual terms or is significant in relation to the business of the Group and which was affected during the current or immediately preceding financial year or during any earlier financial year and remains in any respect outstanding or unperformed.

### 5.5 *Directorships*

- (a) Other than the directorships of the Group, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

Director	Current	Past
Mark Abrahams	British Rubber Manufacturers' Association Limited Charles S Madan & Co Ltd Darby Group Plc Fenner Drives Limited Fenner Income Distribution Ltd Fenner (India) Limited (India) Fenner International Ltd Fenner Plc James Dawson & Son Ltd J.H Fenner & Co Ltd KSB Pumps (SA) (Pty) Limited (South Africa) Shanghai Fenner Conveyor Belting Company Ltd (China) W.A Thatcher Ltd	—

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Director	Current	Past
Patrick O'Grady	Baranhill Limited Flowround Limited PJO Industrial Limited Royack Limited	Dartington Food Limited
Colin Tarry	—	Datatype International Limited LT Systems Limited Penny-Giles Data Systems Limited Penny-Giles Data Technology Limited
Keith Lees	—	Plumbs Limited Plumbs (Manufacturing) Limited Unravel Mills (Preston) Limited

- (b) Mr Mark Abrahams was a director of Coloroll Carpets Limited (a subsidiary of Coloroll Group plc) which was placed in administrative receivership on 7 June 1990 and against which a compulsory winding up order was granted on 16 January 1991.
- (c) Save as disclosed in this paragraph 6, none of the Directors has:
- (i) any unspent convictions in relation to indictable offences;
  - (ii) had any bankruptcy order made against him or entered into any voluntary arrangements;
  - (iii) been a director of a company which has been placed in receivership, liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
  - (iv) been a partner in any partnership which has been placed in liquidation, administration or been the subject of a voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (v) been the owner of any asset or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - (vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

- (vii) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **6. Memorandum and Articles of Association**

### **6.1 Memorandum of Association**

The Memorandum of Association of the Company provides that the Company's principal object is to act as a general commercial company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association of the Company.

### **6.2 Articles of Association**

The articles of association of the Company contain provisions, (amongst others), to the following effect:

#### **(a) Voting rights**

Subject to paragraph (f) below, and to any special rights or restrictions as to voting attached to any shares, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or (being a corporation) is present by its duly authorised representative shall have one vote for every ordinary share of which he is the holder. A proxy need not be a member of the Company.

The holders of the issued redeemable preference shares in the capital of the Company are entitled to receive notice of and to attend (either in person or by proxy) at any general meeting of the Company but shall not be entitled to vote at such meeting (either personally or by proxy).

#### **(b) Variation of rights**

If at any time the share capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may, subject to the provisions of the Act, be varied or abrogated with the consent in writing of the holders of not less than three-quarters in nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class but not otherwise. At every such separate general meeting (except an adjourned meeting), the quorum shall be not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

#### **(c) Alteration of capital**

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares, sub-divide all or any of its shares into shares of a smaller nominal amount and cancel any shares which at the date of the passing of the resolution have not been taken, or agreed to be taken by any person. The Company may, subject to the Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

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Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares if as a result of the purchase there would no longer be any member holding any shares in the Company other than redeemable shares. Further, the Company may not purchase any of its shares if at the time of purchase there are any outstanding convertible shares unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

(d) *Transfer of Shares*

The Board may implement arrangements for the transfer of shares in uncertificated form subject to the Uncertificated Securities Regulations 1995 and the rules and procedures of the system through which such transfers may be effected.

In respect of the transfer of shares held in certificated form, the instrument of transfer of any shares shall be in any usual or common form or in such other form as may be approved by the Directors and shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. Transfers of shares held in uncertificated form shall be made in accordance with the rules of the system through which such transfers are effected and with the Uncertificated Securities Regulations 1995. The Directors may in their absolute discretion refuse to register a transfer of any share that is not fully paid. The Directors may also refuse to register a transfer of shares whether fully paid or not and whether held in certificated form or not:

- (a) to any entity which is not a legal or natural person; or
- (b) to a minor; or
- (c) to be held jointly by more than four persons.

Subject to paragraph (f) below, the Articles contain no other restriction on the free transferability of fully paid shares provided that the instrument of transfer is only in respect of one class of certificated share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for the transfer have been complied with.

(e) *Dividend*

- (i) The Company may by ordinary resolution in general meetings declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified.
- (ii) Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph (f) below, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.

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- (iii) Subject to the provisions of the Act, the Company may by ordinary resolution give the holders of the Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.
  - (iv) Subject to the provisions of the Act, the Company may by ordinary resolution pay a dividend in whole or in part by the distribution of specific assets (and in particular, of paid-up shares or debentures of any other company). The Directors may fix the value for distribution of such assets and may determine the cash payments to be made to any members on the basis of such valuation in order to adjust the rights of all parties.
  - (v) Subject to the provisions of the Act, the Company may by ordinary resolution declare that any surplus monies representing capital profits not required for payment of any fixed dividend may be distributed amongst the ordinary shareholders rather than being used to purchase other capital assets or for other capital purposes on the basis that the ordinary shareholders receive the same as capital in the shares and proportions in which they would have been entitled if the surplus had been distributed by way of dividend.
  - (vi) All dividends unclaimed after a period of twelve years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.
  - (vii) Subject to the provisions of the Act, the holders of the issued redeemable preference shares in the capital of the Company are entitled to a fixed preferential net cash dividend of 5 pence per annum on each of 55,000 redeemable preference shares and should the Company fail to redeem any of the remaining redeemable preference shares on 31 January 2003, 31 January 2004 and 31 January 2004 to fixed preferential net cash dividend of 5 pence per annum on each share which the Company has failed to redeem
- (f) *Suspension of rights*
- If a member or other person appearing to be interested in shares held by such shareholder has been duly served with a written notice under section 212 of the Act and is in default in supplying to the Company within the period specified in the notice (being not less than 14 days after the date of service of such notice where the shareholding in question represents at least 0.25 per cent. of the issued shares of the relevant class and 28 days in other cases) the information thereby required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice, and (where the holding represents more than 0.25 per cent. of the issued shares of that class and should the Directors so resolve) the payment of dividends may be withheld.
- (g) *Return of capital*
- Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions which any shares in the capital of the Company may be issued, on a winding up or other return of capital, the holders of ordinary shares are entitled to share in any surplus assets *pro rata* to the amount paid up on their ordinary shares. A liquidator may,

## **INDITHERM plc**

with the sanction of an extraordinary resolution of the Company and any other sanction required by the Companies Acts, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

(h) *Redemption of Preference Shares*

Subject to the provisions of the Act, and subject to there being, in the reasonable opinion of the Directors sufficient profits retained to meet the financial requirements of the Company, the Company shall redeem the redeemable preference shares in four equal instalments of 55,000 each. The first redemption date shall be as soon as practicable (subject to the Company having sufficient distributable profits and subject to the Directors being of the reasonable opinion that the redemption will not adversely affect the financial requirements of the Company). The remaining three instalments (subject as aforesaid) shall be on 31 January 2002, 31 January 2003 and 31 January 2004 respectively. All of the redeemable preference shares will (unless the holder of 50 per cent. of the redeemable preference shares otherwise agree) be redeemed on a sale of the whole or substantially the whole of the undertaking of the Company (or a subsidiary of the Company) or the grant of permission by London Stock Exchange plc to deal in any of the Company's shares on AIM.

(i) *Pre-emption rights*

There are no rights of pre-emption under the articles of association of the Company in respect of transfers of issued Ordinary Shares.

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

(j) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future (including uncalled capital) and, subject to section 80 of the Act, to issue debenture stock or any other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate amount at any one time owing by the Company and all its subsidiaries in respect of monies borrowed by them or any of them (exclusive of monies borrowed by the Company or any of its subsidiaries from such companies) shall not at any time without the previous sanction of the shareholders in general meeting exceed the higher of £10,000,000 or a sum equivalent to two and a half times the aggregate of the nominal capital of the Company for the time being issued and paid up and the amounts standing to the credit of the share premium account, capital redemption reserve and profit and loss account of the Company and each of its subsidiary companies.

## **7. Share Incentive Schemes**

### **Introduction**

The Directors believe that it is in the interest of the Group for its employees to be given the opportunity to own Ordinary Shares (referred to as "shares" in this paragraph 7) and wish to encourage this by taking advantage of favourable tax treatment available for employee shareholdings by the introduction of the Inditherm plc Share Incentive Plan ("the Share Incentive Plan") for the benefit of all eligible employees of the Group and the Inditherm plc Enterprise Management Incentive Scheme ("the EMI Scheme") for the benefit of selected employees.

### **7.1 The Share Incentive Plan**

(a) *Introduction*

The Share Incentive Plan is a share ownership plan, under which the directors can award shares to employees on a variety of tax-favoured terms.

Subject to obtaining Inland Revenue approval after Admission employees of the Group will be given the opportunity to invest in "partnership" shares under the Share Incentive Plan, under which shares would be purchased on a monthly basis financed by deductions from gross salary of up to £125 per month.

This plan is designed to qualify for Inland Revenue approval, so as to attract tax-favoured status for the Company's employees.

(b) *Eligibility*

Group employees who have been employed for a minimum period (not exceeding three months) are eligible to participate in this plan.

(c) *How the Plan may be operated*

The directors may operate this plan in a number of ways. They can:

- make an award of "free shares"; and/or
- give employees the opportunity to invest in "partnership shares"; and/or
- make an award of "matching shares" to those employees who have invested in "partnership shares" (free shares, partnership shares and matching shares together being referred to as "Plan Shares"); and/or
- require or allow employees to re-invest dividends paid on their Plan Shares in further shares ("dividend shares").

(d) *Free Shares*

The Company may provide free shares up to a maximum annual value set from time to time by the Inland Revenue. The current maximum annual value is £3,000 per employee. If the Company wishes, the award of free shares can be based on the achievement of personal, team, divisional or corporate performance targets which must be notified to all employees. Otherwise, free shares must be awarded to employees on the same terms. Those terms allow awards to vary according to an employee's remuneration, length of service or hours worked.

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(e) *Partnership Shares*

The Company may provide employees with the opportunity to acquire partnership shares from their gross monthly salary up to a maximum value set from time to time by the Inland Revenue, currently £125 per month. The Company may set a minimum monthly deduction which may not be greater than £10. Shares will be acquired on behalf of employees within 30 days after each deduction at the market value of such shares on the date they are acquired. Alternatively, deductions can be accumulated for up to 12 months. In this case, shares will be acquired on behalf of employees within 30 days of the end of the accumulation period, at the lower of the market value of the shares at the beginning of the accumulation period or the date when they are acquired.

(f) *Matching Shares*

The Company may give an employee up to two free matching shares for each partnership share acquired by the employee. The award of matching shares cannot be subject to performance targets.

(g) *Dividend Shares*

The Company may either give employees the opportunity, or it may require them, to re-invest dividends paid on their Plan Shares in further shares up to a maximum amount, which is currently £1,500 per annum.

(h) *Holding Period*

Free shares and matching shares must be held in trust for a period of not less than three years and not more than five years from the date on which such shares are allocated to employees. Dividend shares must be held in trust for three years.

(i) *Leavers*

The Company can provide for free shares and matching shares to be forfeited if employees cease employment with the Group (other than because of certain circumstances such as redundancy, disability, injury or reaching retirement age) within the period of up to three years from the date on which shares were allocated.

Employees can withdraw their partnership shares at any time. However, the Company can stipulate that matching shares will be subject to forfeiture if the corresponding partnership shares are withdrawn within a specified period (not exceeding three years) of their purchase on behalf of the employee.

Awards are not transferable except on death, when shares may be transferred to the deceased employee's personal representatives. Awards of shares under this plan are not pensionable.

(j) *Funding the Plan*

If existing shares (as opposed to newly issued shares) are acquired as partnership shares, participating Group companies may be required to fund the acquisition cost to the extent that salary deductions are insufficient to do so.

(k) *Amendments to the Plan*

The directors will have authority to amend this plan, provided that no amendment to the advantage of participants may be made to provisions relating to:

- (i) who can participate;
- (ii) the individual and overall limits on participation;
- (iii) the basis for determining a participant's entitlement to Plan Shares and the terms on which they can be acquired; and
- (iv) any adjustment in the event of a variation in the Company's share capital;

without the prior approval of the Company's shareholders in general meeting (unless the amendment is minor and made to benefit the administration of this plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment).

## **7.2 The EMI Scheme**

(a) *Introduction*

The Scheme is intended to motivate, retain and reward selected directors and employees who by their efforts are able to influence the performance and success of the Group's business. The EMI Scheme is designed to satisfy Inland Revenue requirements so as to attract tax-favoured status for employees of the Group invited to participate in the Scheme.

(b) *Eligibility*

All employees of the Group (including executive directors) who are nominated by the Board and who work for at least 25 hours per week or, if less, 75 per cent. of their working time are eligible to participate in the EMI Scheme. No eligible person is entitled to participate as of right. The selection of those eligible who are to participate is within the discretion of the Board.

(c) *Individual Limit on participation*

The total value of unexercised options held by any individual (including options granted under an approved share option scheme) must not, at the time of grant of the option, exceed £100,000.

(d) *Grant Periods*

If the Ordinary Shares are listed on any market supervised by a regulatory authority, options may only be granted (other than in exceptional circumstances) in the period of forty two days after either the adoption of the EMI Scheme or the announcement by the Company of its financial results for the last preceding financial year, half year or other period. Subject to that, options may be granted at any time in the ten year period beginning with the date of adoption of the Scheme.

(e) *Performance Targets*

When granting options, the Board may specify objective performance targets to be satisfied before those options can be exercised.

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(f) *Exercise*

An option under the share option scheme cannot be exercised more than ten years after the date on which it was granted, nor can it normally be exercised within a restriction period (not exceeding five years) specified by the Board at the time of its grant. However, options may be exercised (whether the restriction period has expired or not) in the following circumstances:

- (i) the participant is deceased, in which case his personal representatives may exercise the option within one year after the date of death, failing which the option will lapse;
- (ii) the participant ceases to be employed by reason of injury, disability, redundancy, or retirement or because his employer ceases to be under the control of the Company in which case a participant may exercise his option no later than forty two days from the date of such termination of employment failing which the option will lapse;
- (iii) if the Company passes a resolution for voluntary winding up, any subsisting option may be exercised within forty two days after the date upon which the resolution is passed;
- (iv) if the participant is adjudicated bankrupt, in which event the option will lapse immediately; or
- (v) if as a result of a general offer a third party obtains control of the Company, the option is exercisable for a period of forty two days after such control has been obtained, although with the consent of the acquiring company, the existing option may be replaced by a new option over shares in the acquiring company or some other qualifying company.

(g) *Non transferability of options*

Options are personal and may not be assigned or transferred.

(h) *Scheme Limits*

The maximum value of unexercised options granted by the Company under the EMI Scheme must not exceed £3,000,000.

(i) *Variation of share capital*

If the Company undertakes a capitalisation or rights issue or any consolidation, sub-division or reduction of its ordinary share capital, the number of shares subject to any option and the acquisition price of those shares shall be adjusted in such manner as the auditors of the Company confirm to be fair and reasonable.

(j) *Alterations*

No alteration to the advantage of participants in the EMI Scheme may be made without the prior approval of shareholders in general meeting.

## **8. Placing Agreement**

On 11 December 2001 the Company entered into an agreement with Collins Stewart and the Directors pursuant to which Collins Stewart has agreed to use its reasonable endeavours to procure subscribers on behalf of the Company for the New Ordinary Shares at the Placing Price and with the Vendors in respect of Vendor Placing Shares at the Placing Price. The Placing Agreement is conditional on the entire issued and to be issued share capital of the Company being admitted to trading on AIM by no later than 31 December 2001 (or such other date as may be agreed between the parties).

In consideration of their services in connection with the Placing, and subject to the Placing taking place the Company will pay to Collins Stewart commissions amounting to 4 per cent. of the value at the Placing Price of the New Ordinary Shares together with an advisory fee of £230,000. In addition, Collins Stewart has been granted an option to subscribe for 311,310 New Ordinary Shares at the Placing Price (representing 3 per cent. of the enlarged issued share capital as at Admission) exercisable at any time before the fifth anniversary of Admission. The Vendors will pay Collins Stewart commission amounting to 4 per cent. of the value at the Placing Price of the Vendor Placing Shares.

The Placing Agreement contains warranties given by the Company and the Directors (the liability of the Directors is limited in value) as to the accuracy of the information contained in this document and other matters relating to the Company and its business. In addition, the Company has given an indemnity to Collins Stewart in respect of certain matters. Collins Stewart are entitled to terminate the Placing Agreement in specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or of any of the warranties contained in it or if an event of force majeure arises. The Company is entitled to terminate the Placing Agreement if Collins Stewart is unable to find Placees for all of the Ordinary Shares to be placed under the Placing Agreement.

Mr Patrick O'Grady and Mr Colin Tarry have agreed lock-in arrangements in relation to their Ordinary Shares in the Company pursuant to which (subject to certain specified exceptions) they have undertaken not to dispose of any Ordinary Shares in the Company held by them for a period of twelve months from Admission and in the case of Mr Patrick O'Grady alone for a further twelve months in respect of 50 per cent. of the Ordinary Shares held by him on Admission.

## **9. Lock-In Arrangements**

In addition to the lock-in arrangements for Mr Patrick O'Grady and Mr Colin Tarry referred to in paragraph 8, Mr J Buckley and Brymarc Limited have entered into lock-in agreements dated 11 December 2001 with the Company and Collins Stewart. Mr Buckley has undertaken not to dispose of any Ordinary Shares held by him at Admission for the period of 12 months after the date of Admission (subject to certain specified exceptions). Brymarc Limited has undertaken not to dispose of 50 per cent. of the Ordinary Shares held by it at Admission for the period of 12 months after the date of Admission (subject to certain specified exceptions).

## **10. Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and the Subsidiaries within two years immediately preceding the date of this document and are or may be material:

- (a) a Subscription Agreement dated 28 January 2000 relating to the subscription by Brymarc Limited for 2,778 A ordinary shares in the Company for a total subscription price of £197,000; the acquisition of a further 625 A ordinary shares in the Company for a total consideration of £50,000 and the subscription by PJO Industrial Limited for the Preference Shares in satisfaction of £220,000 of a loan from PJO Industrial Limited to the Company of £270,000.

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- (b) an Agreement dated 6 December 2001 terminating the subscription agreement referred to in paragraph (a) above;
- (c) an Agreement dated 30 November 2001 whereby Inditherm (Medical) Limited bought the intellectual property of the Company relating (amongst other things) to the medical business of the Company for £1,000,000 and granted the Company an irrevocable royalty-free licence to use and exploit the intellectual property (other than medical products incorporating Inditherm) worldwide.
- (d) the Option Agreements referred to in paragraphs 3.3(g) and 3.4 to 3.7 (inclusive) above;
- (e) the Share Incentive Schemes;
- (f) the Placing Agreement described at paragraph 8 above;
- (g) a nominated adviser and broker agreement dated 11 December 2001 between the Company, the Directors and Collins Stewart pursuant to which the Company has appointed Collins Stewart to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Collins Stewart a fee of £30,000 plus VAT per annum for services as nominated adviser and broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company and the Directors in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement is for a term of one year and then subject to termination on three month's notice by either party;
- (h) the lock-in agreements described at paragraph 9 above;
- (i) an Agreement dated 6 December 2001 governing the use by the Group of the leasehold premises of PJO Industrial Limited referred to in paragraph 12 below and the use by the Group of other assets and resources of PJO Industrial Limited. The Group has agreed to pay 56 per cent. of the *shared property costs incurred at Unit 5, Commercial Road, Goldthorpe Industrial Estate, Goldthorpe*. The use by the Group of other assets and resources of PJO Industrial Limited will be charged at commercial rates;
- (j) an assignment dated 10 January 2000 between PJO Industrial Limited and the Company pursuant to which the Trade marks "Inditherm" and "Clotherm" were assigned to the Company;
- (k) On 30 November 2001 each of Mr Patrick O'Grady, Mr John Buckley and PJO Industrial Limited assigned all and any of their respective intellectual property rights in the product to the Company.

### **11. Litigation**

Neither the Company nor the Subsidiary is or has been engaged in any legal or arbitration proceedings which may have, or has had during the twelve months preceding the date of this document, a significant effect on the Group's financial position nor are any such proceedings pending or threatened.

### **12. Premises**

The Group operates from leasehold premises at Unit 5, Commercial Road, Goldthorpe Industrial Estate, Rotherham S63 9BL. The lease of these premises is held by PJO Industrial Limited and is for a term of 24 years from 26 October 1981 at an annual rent of £17,000 plus service charge. The Group shares occupation of these premises pursuant to the terms of the Agreement referred to in paragraph 10 (i) above. The Group is currently in negotiations for a new lease of premises at Unit 4D, Commercial Road, Goldthorpe Industrial Estate, Rotherham S63 9BL.

### **13. Patents and Other Intellectual Property**

#### **Intellectual Property**

- (i) The Inditherm technology was initially developed by Mr Patrick O'Grady and Mr John Buckley and a UK patent application (number 9826596.0) is filed in the name of PJO Industrial Limited (Registered Number: 1945247) which has been assigned as set out in paragraph (ix) below.
- (ii) The Company does not yet have any granted patents. It has pending international applications that relate to Inditherm and its method of manufacture.
- (iii) Based upon two UK patent applications (UK patent application numbers 9826596.0 and 9908504.5), the Company has filed an international patent application (GB/99/04/087) using the mechanism of the Patent Cooperation Treaty (PCT). This has followed a standard application path and the PCT application has now been entered in the European Regional Phase designating all European Patent Convention member countries and the National Phase in Canada, China, Japan and USA.
- (iv) Under the Patent Cooperation Treaty application process, there is a preliminary examination of the application and a search of published patent applications (representing the "prior art" that is, the body of known published knowledge at that point). The purpose of the search is to try to identify any prior art that may reveal that the invention(s) described in the application is either (a) an obvious step based on the prior art or (b) not new.
- (v) The preliminary international examination has not revealed any relevant prior art that pre-dates the applications but further work will be necessary to move the applications forward including further examinations by the patent offices of the countries in which the applications have been made).
- (vi) Any patents granted pursuant to the applications will belong to the Company.
- (vii) There is also a further new application (UK patent application number: 0112119.3) for a steering wheel related invention based upon Inditherm. There has been no preliminary examination of the application as yet. This application, at the present time, is a UK application only.
- (viii) The company has chosen to seek patent protection for only part of its "knowledge" and to keep information about the precise formulation of Inditherm and related know-how secret.
- (ix) PJO Industrial Limited, Mr O'Grady and Mr Buckley have assigned to the Company all of their intellectual property rights in and to Inditherm (referred to at paragraph 10 (I))

#### **Trade Marks**

- (i) The company has 3 registered trade marks. It has INDITHERM registered in the UK alone (number 2138561) and as a Community Trade Mark ("CTM") (1634773). It also has a further CTM registration for CLOTHERM (1634831).
- (ii) The UK registration of INDITHERM covers "Electrically heated blankets for medical use" in class 10 and "Electrically heated blankets for industrial use" in class 11
- (iii) The CTM registration of INDITHERM covers "Electrically conductive heatable means; electrically conductive heatable sheets; electrically conductive flexible and heatable materials; electrically heated covers for indoor or outdoor equipment; electrically heated articles of clothing" in class 9, "Heated mattresses for surgical use; heated blankets or covers for patients; heated blankets or covers for emergency services" in class 10 and "Heated mattresses and blankets for domestic use; heated jackets for domestic water cylinders; under floor heaters; heated lagging for pipes; heated conveyor linings" in class 11.

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- (iv) The CTM registration of CLOTHERM covers "Electrically conductive heatable means; electrically conductive heatable sheets; electrically conductive flexible and heatable materials; electrically heated covers for indoor and outdoor equipment; electrically heated articles of clothing" in class 9, "Heated mattresses for surgical use; heated blankets or covers for patients; heated blankets or covers for emergency services" in class 10 and "Heated mattresses and blankets for domestic use; heated jackets for domestic water cylinders; under floor heaters; heated lagging for pipes; heated conveyor linings" in class 11.

Except as disclosed in this document there are no patents or other intellectual property rights, licences or particular contracts that are or may be of fundamental importance to the business of the Company.

### **14. Working Capital**

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

### **15. Consents**

- 15.1 Blueprint Audit Limited has given and have not withdrawn its written consent to the issue of this document with the inclusion in it of a copy of its reports and references thereto in the form and context in which they are included.
- 15.2 Collins Stewart and Tenon Livingstone Guarantee plc have given and have not withdrawn their consent to the issue of this document with the inclusion in it of references to their name in the form and context in which they are included.

### **16. United Kingdom Taxation**

#### *Stamp duty and stamp duty reserve tax*

- 16.1 The Company has been advised that the issue of Ordinary Shares to placees under the Placing will not be liable to stamp duty or stamp duty reserve tax.
- 16.2 The conveyance or transfer on sale of Ordinary Shares will generally be liable to stamp duty on the instrument of transfer, at a rate of 50p per £100 (or part of £100) on the amount or value of the consideration. Where an unconditional agreement to transfer such shares is not completed by a duly stamped instrument of transfer a charge to Stamp Duty Reserve Tax (generally at the same rate) will arise. Stamp Duty and Stamp Duty Reserve Tax are usually paid by the purchaser.

#### *Taxation on dividends*

- 16.3 Under current United Kingdom tax legislation, no United Kingdom tax will be withheld from any dividend paid by the Company.
- 16.4 An individual shareholder resident (for tax purposes) in the United Kingdom who receives a dividend from the Company will be entitled to a tax credit equal to one-ninth of the dividend which he may set off against his total income tax liability. Basic rate and starting rate taxpayers will normally have no further liability to tax on the dividend. Higher rate taxpayers will be liable to tax on the sum of the dividend plus the tax credit at the higher rate of 32.5 per cent. against which liability the tax credit can be offset. So, for example, a dividend of £80 will carry a tax credit of £8.89 (one-ninth of £80) and to the extent that the dividend and the related tax credit fall above the

threshold for the higher rate of income tax, a taxpayer will be subject to income tax on £88.89 (£80 plus £8.89) at 32.5 per cent. i.e. £28.89 less a tax credit of £8.89, leaving a tax charge of £20. The same procedure applies for UK resident Trustees except that the rate applicable to the trusts will be 25 per cent. (as opposed to 32.5 per cent.). If the tax credit exceeds an individual or trustee shareholder's liability to Income Tax (taking into account other tax credits and allowances) on the gross dividend the shareholder is not able to reclaim repayment of the excess from the Inland Revenue.

- 16.5 Subject to certain limited exceptions, a corporate shareholder resident (for tax purposes) in the United Kingdom will not be liable to United Kingdom corporation tax on any dividend received from the Company.
- 16.6 The right of a shareholder who is not resident (for tax purposes) in the United Kingdom to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit from the Inland Revenue will depend on the existence and terms of any double taxation convention between the United Kingdom and the country in which the holder is resident. Such a shareholder should consult his own tax adviser concerning his tax liability on dividends received, whether he is entitled to claim any part of the tax credit and, if so, the procedure for doing so.
- 16.7 UK pension funds and most UK Corporate Shareholders (including authorised unit trusts and open-ended investment companies) are not entitled to reclaim any part of the tax credit associated with dividends paid by the Company.

**The above statements are intended only as a general guide to certain aspects of current tax law and Inland Revenue practice in the United Kingdom. It is directed at United Kingdom residents beneficially entitled to their Ordinary Shares held as investments. It may not apply to certain classes of shareholder such as dealers in securities or to persons who are not resident or ordinarily resident in the United Kingdom. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom is strongly advised to consult their own professional adviser immediately.**

## **17. General**

- 17.1 Except as disclosed in this document, no person (excluding professional advisors otherwise disclosed in this document and trade suppliers) has:
  - (a) received, directly or indirectly, from the Company within the 12 months preceding the application for Admission; or
  - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission;  
any of the following:
    - (i) fees totalling £10,000 or more;
    - (ii) securities in the Company where these have a value of £10,000 or more calculated by reference to the Placing price; or
    - (iii) any other benefit with the value of £10,000 or more at the date of Admission.

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- 17.2 *Except as disclosed in this document there has been no significant change in the financial or trading position of the Company or its subsidiaries since 31 October 2001.*
- 17.3 The gross proceeds of the Placing are expected to be £3.33 million and the estimated amount of the expenses of the Placing is £0.79 million (inclusive of VAT) which is payable by the Company, and of which Collins Stewart will receive commission of 4 per cent. in respect of the placing of the New Ordinary Shares.
- 17.4 The financial information contained in the Accountants' Report set out in Part II of this document does not constitute statutory accounts within the meaning of Section 240 of the Act. Statutory financial statements in respect of the Company for the periods ended 30 June 1999, 31 December 1999 and 31 December 2000 have been delivered to the Registrar of Companies. The accounts for the period ended 31 October 2001 do not constitute statutory accounts within the meaning of section 240 of the Act and will not be delivered to the Registrar of Companies. The auditor's report in respect of the accounts for the period ended 30 June 1999 was unqualified. The accounts for the other periods were unaudited.
- 17.5 The amount payable on application and allotment of each New Ordinary Share is 97p of which 96p is payable by way of premium.
- 17.6 The Company is making an application to CRESTCo Limited for the Ordinary Shares to be settled through CREST and to be admitted as a participating security. It is expected that the admission of the New Ordinary Shares in CREST as a participating security will be effective upon Admission. Shareholders who are direct or sponsored members of CRESTCo Limited will then be able to dematerialise their Ordinary Shares in accordance with the rules and practices instituted by CRESTCo Limited.
- 17.7 There is no minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 of the Regulations.
- No amounts are to be provided in respect of the matters mentioned in that paragraph otherwise than out of the proceeds of the Placing.
- 17.8 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 17.9 The flotation on AIM is being conducted by way of a Placing. Collins Stewart is arranging for the Placing Shares to be placed conditional upon Admission with institutional and other investors. The arrangements during the period prior to Admission relating to monies from institutional and other investors are set out in the Placing letters sent to such investors.
- 17.10 In making any investment decision in respect of the Placing, no information or representation should be relied on in relation to the Placing, the Company or the new Ordinary Shares, other than as contained in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. Neither the delivery of this

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document nor any subscription made under it shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.

- 17.11 Collins Stewart Limited is registered in England and Wales under number 01774003 and its registered office is at 9th Floor, 8 Wood Street, London EC2V 7QR. Collins Stewart is regulated by The Financial Services Authority.

### **18. Documents available for inspection**

Copies of this document will be available free of charge at the registered office of the Company and at the offices of Collins Stewart, 9th Floor, 88 Wood Street, London EC2V 7QR during normal business hours on any weekday (Saturdays and public holidays excepted) until the date falling one month after the date of Admission.

Dated: 11 December 2001