INDITHERM plc

Annual Report &
Financial Statements
2010

Contents

Inditherm at a glance

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

Inditherm – Target markets

Medical

In the Medical market, Inditherm specialises in warming solutions to prevent hypothermia and heat therapy systems for the treatment of injuries and improving intravenous treatments such as chemotherapy. Patient warming products are primarily used in operating theatres, recovery and intensive care, accident & emergency, and neonatal areas. They offer improved clinical performance, combined with significant cost savings over traditional technologies. Products are sold internationally through a network of distributors. Products are sold in the UK via a direct sales force with the support of regional distributors.

Industrial

In the Industrial market, Inditherm specialises in providing heating solutions for critical temperature management and frost protection for pipelines, portable storage containers, tanks, valves and pumps. The Company currently focuses its attention on standard products for heating containers such as industry standard Intermediate Bulk Containers ("IBC's") and drums. The bespoke solutions business sector, which targets markets such as confectionery manufacture, is handled by a partner organisation, ADI Inditherm Limited with Inditherm plc supplying the heating elements.

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

Directors and Advisers

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

Chairman's Statement

Overview

Following the economic challenges of 2009, market conditions improved for our business in 2010, with the Medical business benefitting in particular.

The Medical business returned to historic growth rates, with better than average improvement in the UK market. We believe this segment continues to offer our fastest route to break-even.

The standard product sector of our Industrial business continued to make a positive contribution, however, the process solutions sector did not make the expected progress. In light of these conditions, promotion and support for the Process Solutions business of the Industrial segment has been assigned to a third party, leading to a reduction in overhead costs. Inditherm retains the IP rights, supply of heating elements and all aspects of the Industrial standard product ranges.

The year showed a substantial reduction in losses and the implementation of our stated intention to focus on the Company's medical product activities.

Results

The results present the continuing operations of the business and also reflect the disposal of the Process Solutions business; they are presented in terms of ongoing operations.

The turnover of continuing operations for the year rose by 47% to £1,324k (2009: £902k). Gross profit increased by 58% to £805k (2009: £510k) due to growth of the Medical business.

Overheads were reduced slightly during the year, to £1,222k (2009: £1,260k), resulting in an operating loss of £417k (2009: £750k). The post-tax loss on continuing activities was £382k (2009: £684k), with additional loss from discontinued activities of £106k (2009: £398k).

The year end cash balance was £1,701k (2009: £2,092k), representing a significantly improved cash outflow from both continuing and discontinued operations of £391k (2009: £1,023k).

Operations

Despite key approvals from some major international companies the Process Solutions business failed to secure expected orders. This was as result of conservative attitudes and continued project delays due to economic uncertainty. In light of this situation the Board decided to withdraw from direct activity in this market to allow resources to be focussed on core activities, predominantly our medical products. We have retained the standard product ranges in our Industrial business and assigned the process solutions activities to the ADI Group. We are confident that this leaves the Process Solutions business in the right hands, whilst the integrity of the technology is maintained by Inditherm plc retaining responsibility for manufacture and supply of polymer in a standard pad form.

Overall Medical orders in 2010 grew by 50%. This comprised 38% growth in orders from our non-US distributors and 90% growth in the UK. Sales in the US amounted to £17k, reflecting some initial success from our more recently appointed distributor. Budget pressures within the NHS helped to stimulate growing interest in the cost savings our products offer in the operating theatre, leading to a number of substantial orders. The same cost constraints did however restrict growth in the neonatal sector.

A draft recommendation by the UK's National Institute for Health & Clinical Excellence (NICE) is positive about the benefits of Inditherm's patient warming systems and should lead to accelerated uptake of our medical products in the NHS. The process for confirming final guidance is still underway and so whilst these are encouraging developments no firm conclusions can be reached at this stage.

Chairman's Statement
continued

Dividends

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

Management

As part of the divestment process for the Process Solutions business during the year, our Industrial Business Manager resigned and has not been replaced.

Employees

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

Outlook

The return to historic growth levels in our Medical business during 2010 was encouraging. There has been an increase in uptake with growing acceptance of our technology and recognition of our brand in the UK market over the last year. Once the current cost pressures within the NHS have been absorbed, we believe further progress should be made, stimulated by cost savings offered by using the Inditherm product, combined with existing NICE guidelines on warming patients and further potential recommendations.

We would expect opportunities to emerge from this NICE study albeit, due to the thorough and professional process that NICE undertake before releasing final recommendations, it may be several months before benefits start flowing.

It is difficult to predict trends in our overseas business through independent distributors; however, we have been expanding our international network and expect that this will allow us to continue to grow. It is clear that market conditions in a number of regions have been and remain difficult but we hope that a wider geographical spread will help compensate for that. In addition, if successful, some OEM agreements could start to contribute in the current year.

The retained standard product Industrial activities are expected to deliver a positive contribution to the business and with strong performance over the last six months we anticipate that this will continue to grow in 2011.

The disposal of our Process Solutions business will allow us to focus our resources on the Medical segment. We believe that this gives us the opportunity to reach a break-even trading position.

MARK ABRAHAMS
Chairman

31 March 2011

Chief Executive's Review

Overview

Turnover on continuing activities increased by 47% in 2010, with a 58% increase in gross profit, as a consequence of returning to historic growth rates in the Medical sector. Losses for the year on continuing activities fell by 44% to £382k (2009: £684k) and the total deficit attributable to equity holders fell by more than half, year on year.

Our increased focus on the Medical business helped us to deliver good growth both in the UK and export markets. This was achieved despite continued difficult trading conditions in the NHS and in a number of overseas territories.

Our efforts to grow the Process Solutions business in the Industrial sector were frustrated by market conditions and we were unable to deliver the expected progress. As a result we have exited this business, allowing us to reduce costs, focus our resources on more profitable core activities and remove the uncertainty associated with the industrial process solutions market, whilst retaining control over our core technology.

Sales and Marketing

The Company entered 2010 with encouraging signs from some of our major Industrial customers, including a substantial project for one major international confectionery manufacturer and global technical approval for our product from another, with the prospect of significant orders to follow. Despite this, the expected opportunities failed to materialise and it became clear that any progress was likely to be protracted. The Board believed that this situation would continue to be a drain on the business resources and that the best interests of the Company would be served by finding a partner to front this business sector. The agreement subsequently signed with ADI Group leaves Inditherm in control of the core technology and able to benefit from any future sales, whilst allowing us to focus on the more immediate opportunities offered by the Medical business and standard Industrial products.

In the Medical segment the Company saw a welcome return to sales growth. In the UK we secured a number of large orders with hospitals making a complete conversion to our technology for their operating rooms. One of these larger orders was on a rental basis and will therefore deliver continuing revenue over the coming years; this is a business model we continue to offer the NHS, to help where capital spending is constrained. We have increased our sales and marketing resource during 2010 in order to further drive growth.

Considerable effort has been made throughout the year to obtain approval from the UK's National Institute for Health & Clinical Excellence (NICE) for our operating room product range. After detailed submissions and careful analysis, NICE has issued draft recommendations that are very positive, endorsing the clinical evidence and highlighting the very substantial cost savings our technology delivers. The draft guidance has to complete the public consultation process, but we are hopeful of a positive outcome. The recommendations are specific to the Inditherm product only and should help to stimulate faster uptake in the NHS if confirmed.

We continued to expand our international distribution network during the year, with particular emphasis on the Middle East region. There is an inevitable start-up period associated with such activity but we expect this effort to start to yield results in 2011. A number of our overseas markets continued to be affected by economic constraints in 2010, including some of our historically strongest regions. However, the breadth of our geographic distribution network has helped to overcome this downturn giving an overall growth in export orders of 38%. We will be holding a distributor conference early in the second quarter of 2011, which we believe will give us the opportunity to stimulate further export activity in the year ahead.

The US market has remained challenging over the past year. There have been some encouraging signs from our more recently appointed distributor in recent months, with customer orders received, but the rate at which progress can be achieved remains uncertain with our limited resources.

There have been positive signs that our technology is becoming more widely recognised in the medical industry, with a number of manufacturers considering incorporation of our warming into their products. Most discussions are still at a relatively early stage, but this does give potential for additional growth from OEM agreements whilst also increasing brand recognition.

Chief Executive's Review
continued

Product Development

We continued to enhance our Medical product range during the year, culminating with the medical device approval and release of a new control unit with battery option to create mobility for warming patients. This should open new opportunities for us, particularly in applications that involve the transport of patients inside and outside the hospital.

We have managed to broaden our Industrial standard product range to cater for wider applications and customer demands. This allows us to meet more market needs without the distraction of bespoke designs.

Operations

The focus on our Medical business and only standard Industrial products has allowed Inditherm to further streamline our production organisation and processes. We are now able to concentrate on shorter delivery times, faster conversion of orders to sales and increasing customer satisfaction.

Feedback from our customers and distributors confirms that they consider Inditherm to have high quality products with excellent service and support.

Outlook

Uncertainty in the NHS continues and, therefore, despite our good growth in the UK market last year, we cannot be certain the trend will continue at the same rate. However, the draft recommendations from NICE, if confirmed in final form, should give us a good chance of further progress in the second half of the current year and beyond.

The economic situation in overseas markets remains uncertain in many regions, exacerbated more recently by the political circumstances in the Middle East. We believe that the breadth of our Medical distributor network should allow us to make further progress despite these difficulties, but at this stage it is not clear whether growth can be continued at the same rate.

We have made good progress with our Industrial standard product business over the last year and believe that this performance can be sustained in 2011. We believe that ADI Group is well placed to exploit our technology in the Process Solutions markets and we are hopeful that profitable business for Inditherm will result from the partnership this year.

NICK BETTLES
Chief Executive

31 March 2011

Directors and Board Committees

Directors

Mark Abrahams (Aged 56, Non-executive Chairman)

Mark is currently the Chairman of Fenner Plc having been Chief Executive for 18 years until February 2011. At Fenner he led a strategy of converting the group from a power transmissions manufacturer to a world leader in reinforced polymers. Mark is also Vice Chairman of Leeds Teaching Hospitals Trust. He was formerly non-executive chairman of the Darby Group Plc. He is a Chartered Accountant and a Companion of the Institute of Management.

Nick Bettles (Aged 55, Chief Executive)

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

John Markham OBE (Aged 64, Non-executive director)

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

Ian Smith (Aged 54, Finance Director and Company Secretary)

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

Board Committees

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

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

Statement of Corporate Governance

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

Board Composition

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

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

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

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

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

Board Committees

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

Audit Committee

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

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

Remuneration Committee

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

Nominations Committee

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

Board Appointments

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

Statement of Corporate Governance
continued

Relations with Shareholders

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

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

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

Internal Control

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

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

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

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

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

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

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

Going Concern

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

Remuneration Report

Responsibilities

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

Directors' service contracts

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

The Company has notified Mr Smith that it is their intention to terminate his Service Agreement in accordance with the terms of the Agreement. Mr Smith's notice period will expire on 18 October 2011.

The Chairman and Non-Executive Director are usually appointed for a fixed two year term.

The details of the service contracts in relation to the executive directors and letters of appointment in relation to the Chairman and Non-Executive Director are:

	Unexpired term at 31 December 2010	Notice period
N Bettles	–	1 year
ID Smith	9 months	9 months
MS Abrahams	11 months	Fixed term
JH Markham	14 months	Fixed term

Remuneration of Non-executive directors

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

Executive remuneration policy

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

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

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

Remuneration Report
continued

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

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

Remuneration components for executive directors

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

- *Basic salary/fees and benefits*

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

- *Annual performance related bonus*

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

- *Pensions*

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

- *Executive share options schemes*

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

Directors' detailed emoluments

The emoluments of the directors of the Company were as follows:

	Salary £'000	**Pension contribution £'000**	**Benefits in kind £'000**	**2010 Total £'000**	2009 Total £'000
MS Abrahams	**34**	**–**	**–**	**34**	35
JH Markham	**23**	**–**	**–**	**23**	23
N Bettles	**108**	**5**	**12**	**125**	126
ID Smith	**91**	**5**	**13**	**109**	109
	256	**10**	**25**	**291**	293

Contributions to a defined contribution pension scheme were paid on behalf of two directors (2009: two) during the year. No directors exercised share options during the year.

Remuneration Report
continued

Unilateral Concessions

On the 29 October 2010 the following concessions were made by certain board members taking effect on the 1 November 2010:

Mr Mark Abrahams

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

Mr John Markham

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

Mr Nick Bettles

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

As consideration for making this concession Mr Bettles will receive a concession payment equal to 2.5 times the total amount already deducted if profit performance criteria are achieved or if the business or part thereof is sold for sufficient value.

Mr Ian Smith

In view of the serving of notice under the terms of Mr Smith's service contract he was not invited to participate in the concessionary arrangements.

Interests in share options

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

	Date of grant	**Option price**	**2010 Number**	2009 Number
MS Abrahams	**10/12/01**	**97p**	**207,540**	207,540
JH Markham	**09/04/02**	**222p**	**30,000**	30,000
N Bettles	**21/12/07**	**10p**	**400,000**	400,000
ID Smith	**02/04/04**	**52.5p**	**100,000**	100,000
ID Smith	**21/12/07**	**10p**	**200,000**	200,000

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

The market price of the Company's shares at 31 December 2010 was 3.5p: the range of market prices during the year was 3.25p to 9.0p.

Remuneration Report
continued

Directors' interests in shares

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

	2010	2009
MS Abrahams	**301,546**	301,546
JH Markham	**29,366**	29,366
N Bettles	**4,444**	4,444
ID Smith	**54,444**	54,444

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

All directors' interests are beneficially held.

JOHN H MARKHAM
Chairman, Remuneration Committee

31 March 2011

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

By order of the board

IAN D SMITH
Finance Director and Company Secretary

31 March 2011

Report of the Directors

for the Year ended 31 December 2010

The directors present their report together with the Group's audited financial statements for the year ended 31 December 2010.

Results and dividends

The income statement is set out on page 20 and shows the loss for the year.

As stated in previous years, the Board intends to devote the Company's financial resources to business development. This intention, which the Board believes is in the best interest of the shareholders, has continued during 2010 and the Board does not expect to declare a dividend during the Company's continuing development (2009: nil).

Principal activity and business review

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

Principal risks and uncertainties

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

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

Key Performance Indicators

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

	2010	2009
Order growth rate (Year on year)	**56**%	7%
Significant progress in order win rates in 2010 in all segments		
Gross Margin % (Annual percentage)	**61%**	56%
The improvement in margins is the results of a higher proportion of Medical business and economies of scale which result in fixed factory overheads being a smaller percentage of sales		
Overheads	**£1,222k**	£1,260k
There is an on-going drive to reduce overhead costs through efficiency savings and contract negotiations for costs and services		
Cash resources available	**£1,701k**	£2,092k
Cash resources to finance operations through to breakeven		

Directors

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

Report of the Directors
for the Year ended 31 December 2010 *(continued)*

Substantial interests

At 28 March 2011, the Company had been notified of the following interests (excluding the interests of the directors), which amounted to 3% or more of the issued capital of the Company.

Shareholder	Number of shares	Percentage holding
D G Steward	10,400,000	20.3%
Cazenove Fund Management Limited	7,595,000	14.9%
Patrick O'Grady	4,894,994	9.6%
Allianz Cornhill Insurance plc	4,600,000	9.0%
Amati VCT 2 plc	4,000,000	7.8%
Aviva plc	3,722,085	7.3%
First Pheonix VCT plc	3,400,000	6.7%
AXA Investment Managers Limited	2,112,085	4.1%

Creditor payment policy and practice

It is the Group's and Company's policy to settle all trade creditors within the normal commercial terms of trade agreed with each supplier. The number of days' purchases represented by the Group and Company trade creditors at the year end was 45 (2009: 45).

Research and development

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

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

Financial instruments

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

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

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

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

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

Report of the Directors
for the Year ended 31 December 2010 *(continued)*

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

Further information on financial instruments is set out in note 15.

Political and Charitable Donations

The Company does not make political or charitable donations.

Indemnification of directors

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

Re-appointment of auditors

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

Special business

- Resolution 4 in the Notice of Annual General Meeting on page 43 renews the authority of the directors to allot relevant securities. The nominal amount of securities to which the authority relates is £25,000, which represents approximately 5% of the Company's current issued share capital. Such authority will expire at the conclusion of the Annual General Meeting next following the passing of this Resolution or if earlier fifteen months after the date of this Ordinary Resolution. The directors have no present intention of exercising this authority.

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

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

By order of the Board

IAN D SMITH
Secretary

31 March 2011

Independent Auditors' Report to the Members of Inditherm plc

We have audited the Consolidated and Parent Company financial statements (the ''financial statements'') of Inditherm plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of Cash Flow, the Consolidated and Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2010 and of the Group's loss and Group's and parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

31 March 2011

Consolidated Income Statement

for the year ended 31 December 2010

	Notes	**2010 £'000**	2009 £'000
Revenue	3	**1,324**	902
Cost of sales		**(519)**	(392)
Gross profit		**805**	510
Administrative expenses		**(1,222)**	(1,260)
Operating loss	5	**(417)**	(750)
Finance income	6	**8**	27
Loss on ordinary activities before taxation		**(409)**	(723)
Taxation credit from loss on ordinary activities	7	**27**	39
Loss for the year on continuing activities		**(382)**	(684)
Loss from discontinued activities	2	**(106)**	(398)
Total deficit for the year attributable to equity holders		**(488)**	(1,082)
Loss per share from continuing operations attributable to equity holders of the Company during the year – basic and diluted	8	**(0.7p)**	(1.3p)
Loss per share from total Inditherm Group attributable to equity holders of the Company during the year – basic and diluted	8	**(1.0p)**	(2.1p)

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

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

N BETTLES
Director

I D SMITH
Director

The notes on pages 20 to 41 are an integrated part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholder Equity

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2009	511	9,929	122	(7,019)	3,543
Credit for share based payments	–	–	12	–	12
Loss for the year	–	–	–	(1,082)	(1,082)
At 31 December 2009	511	9,929	134	(8,101)	2,473
Loss for the year	–	–	–	(488)	(488)
At 31 December 2010	**511**	**9,929**	**134**	**(8,589)**	**1,985**

Statement of Changes in Shareholder Equity – Company

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2009	511	9,929	122	(7,020)	3,542
Credit for share based payments	–	–	12	–	12
Loss for the year	–	–	–	(1,081)	(1,081)
At 31 December 2009	511	9,929	134	(8,101)	2,473
Loss for the year	–	–	–	(488)	(488)
At 31 December 2010	**511**	**9,929**	**134**	**(8,589)**	**1,985**

Consolidated Balance Sheet
as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	**45**	52
Intangible assets	10	**75**	95
		120	147
Current assets			
Inventories	12	**132**	144
Trade and other receivables	13	**238**	265
Tax recoverable		**32**	79
Cash and cash equivalents		**1,701**	2,092
		2,103	2,580
Liabilities			
Current liabilities			
Trade and other payables	14	**(238)**	(249)
		(238)	(249)
Net current assets		**1,865**	2,331
Non-current liabilities			
Provisions for liabilities and charges	17	**–**	(5)
Net assets		**1,985**	2,473
Shareholders' equity			
Called up share capital	18	**511**	511
Share premium account		**9,929**	9,929
Share based payment reserve		**134**	134
Retained earnings		**(8,589)**	(8,101)
Total equity		**1,985**	2,473

The financial statements on pages 20 to 41 were approved by the Board of Directors on 31 March 2011 and signed on its behalf by:

N Bettles
Director

ID Smith
Director

Company Number 3587944

Company Balance Sheet
as at 31 December 2010

	Notes	**2010 £'000**	2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	**45**	52
Intangible assets	10	**75**	95
Investments in subsidiaries	11	**–**	–
Amounts due from subsidiary	13	**–**	–
		120	147
Current assets			
Inventories	12	**132**	144
Trade and other receivables	13	**238**	265
Tax receivable		**32**	79
Cash and cash equivalents		**1,701**	2,092
		2,103	2,580
Liabilities			
Current liabilities			
Trade and other payables	14	**(238)**	(249)
		(238)	(249)
Net current assets		**1,865**	2,331
Non-current liabilities			
Provisions for liabilities and charges	17	**–**	(5)
Net assets		**1,985**	2,473
Shareholders' equity			
Called up share capital	18	**511**	511
Share premium account		**9,929**	9,929
Share based payment reserve		**134**	134
Retained earnings		**(8,589)**	(8,101)
Total equity		**1,985**	2,473

The financial statements on pages 20 to 41 were approved by the Board of Directors on 31 March 2011 and signed on its behalf by:

N Bettles
Director

ID Smith
Director

Company Number 3587944

Cash Flow Statement
for the year ended 31 December 2010

Group and Company	**2010** **£'000**	2009 £'000
Net operating loss for the period from continuing operations	**(417)**	(750)
Profit on disposal of property, plant and equipment	**–**	(3)
Depreciation and amortisation	**46**	61
Write off of development costs	**–**	18
Share based payments	**–**	12
Increase in inventories	**(35)**	(18)
Decrease in trade and other receivables	**18**	31
Decrease in trade and other payables	**(7)**	(38)
(Decrease)/increase in provisions	**(5)**	5
Interest received	**8**	27
Taxation received	**74**	–
Net cash outflow from operating activities – continuing operations	**(318)**	(655)
Net cash outflow from operating activities – discontinued operations	**(49)**	(327)
Cash flow from Investing activities – continuing operations		
Purchase of property, plant and equipment	**(21)**	(4)
Capitalised development costs	**(3)**	(40)
Sale of property, plant and equipment	**–**	3
Net cash used in investing activities – continuing operations	**(24)**	(41)
Net cash (used in)/generated from investing activities – discontinued operations	**–**	–
Net decrease in cash and cash equivalents	**(391)**	(1,023)
Cash and cash equivalents at the beginning of the period	**2,092**	3,115
Cash and cash equivalents at the end of the period	**1,701**	2,092

Notes forming part of the Financial Statements

for the year ended 31 December 2010

1 Accounting Policies

Basis of preparation

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

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

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

Basis of consolidation

The financial statements of the Group consolidate the financial statements of Inditherm plc and its subsidiary undertakings up to 31 December 2010 using acquisition accounting. The results of subsidiary undertakings acquired during a financial period are included from the effective date of acquisition. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 and has not presented its own income statement. The loss after taxation of for the year dealt with in the accounts of the parent company was £488k (2009: £1,081k loss).

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

Accounting estimates and judgements

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

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

- Revenue recognition and assessment of long-term contract performance;
- Warranty provisions;
- Allowances against the valuation of inventories; and
- Debtor valuation.

New accounting standards and IFRIC interpretations

The following new standards and interpretations to existing standards are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's or Company's operations:

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009;
- IFRIC 17, 'Distribution of non-cash assets to owners';
- IFRIC 18, 'Transfers of assets from customers';

Notes forming part of the Financial Statements
for the year ended 31 December 2010 *(continued)*

1 Accounting Policies (continued)

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement';
- IFRIC 16, 'Hedges of a net investment in a foreign operation';
- IAS 1 (amendment), 'Presentation of financial statements';
- IAS 36 (amendment), 'Impairment of assets';
- IFRS 2 (amendment), 'Group cash-settled share-based payment transaction'; and
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'.

The following standards and interpretations to existing standards have been published but are not mandatory for the year ended 31 December 2010 and consequently have not been adopted by the Group or Company in the year:

- IFRS 9, 'Financial instruments';
- Revised IAS 24 (revised). 'Related party disclosures';
- IAS 32 (amendment), 'Classification of rights issues';
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'; and
- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement'.

No standards have been adopted early by the Group or Company.

Revenue recognition

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

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

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

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

Exceptional items

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

Employee benefits

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

Notes forming part of the Financial Statements
for the year ended 31 December 2010 *(continued)*

1 Accounting Policies (continued)

Share-based incentives

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

Research and development costs

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

Product development costs

All internal costs of product development are expensed in the Income Statement in the period in which it is incurred.

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

Leases

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

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

Foreign currency transactions and balances

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

Property, plant and equipment

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

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

Intangible assets

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

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

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

1 Accounting Policies (continued)

Impairment of non-financial assets

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

Taxation

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

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

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

Inventories

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

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

Trade and other receivables

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

Investments

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

Cash and cash equivalents

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

Derivative financial instruments

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

Trade payables

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

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

1 Accounting Policies (continued)

Grants

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

Provisions

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

Warranty provision

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

Share capital

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

2 Discontinued operations

The following analyses the result of the discontinued operations;

	Continuing Operations		**Discontinued Operations**		**Total**	Total
	2010	2009	**2010**	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Revenue	**1,324**	902	**324**	250	**1,648**	1,152
Cost of sales	**(519)**	(392)	**(227)**	(284)	**(746)**	(676)
Gross profit	**805**	510	**97**	(34)	**902**	476
Administrative expenses	**(1,222)**	(1,260)	**(203)**	(364)	**(1,425)**	(1,624)
Operating loss	**(417)**	(750)	**(106)**	(398)	**(523)**	(1,148)
Finance income	**8**	27	**–**	–	**8**	27
Loss before taxation	**(409)**	(723)	**(106)**	(398)	**(515)**	(1,121)
Taxation credit from loss on ordinary activities	**27**	39	**–**	–	**27**	39
Total deficit for the year attributable to equity holders	**(382)**	(684)	**(106)**	(398)	**(488)**	(1,082)
Loss per share – basic and diluted	**(0.7p)**	(1.3p)	**(0.3p)**	(0.8p)	**(1.0p)**	(2.1p)

The business discontinued was only part of the activities of the company Inditherm plc. It is the directors' opinion that any apportionment of Finance income and Taxation credit would be highly subjective and potentially misleading.

Notes forming part of the Financial Statements
for the year ended 31 December 2010 *(continued)*

2 Discontinued operations (continued)

No cash consideration was received for the process solutions business. Costs incurred by Inditherm plc associated with the legal agreement totalling £10,000 will be reimbursed. Three employees transferred with the business under the Transfer of Undertakings (Protection of Employment) Regulations. For an initial period of six months there will be an introduction fee on the value of orders placed upon ADI Inditherm Limited as a result of any commercial discussions prior to the completion of the deal.

Included in the above are costs that had previously been disclosed as exceptional costs in results for the six months ended 30 June 2010 and Year ended 31 December 2009:

Exceptional costs	**30 June 2010 £000's**	31 December 2009 £000's
Charged against cost of sales		
Provisions against inventory	**40**	51
Provisions against property, plant and equipment	**5**	11
Charged as administrative expenses		
Cost of redundancy programme	**–**	36
Provisions against property, plant and equipment	**–**	11
Total Charged	**45**	109

3 Segmental analysis

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

There is no inter-segmental trading.

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

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

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

Medical

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

Industrial Standard Products

This segment consists of a range of Drum and Intermediate Bulk Container (IBC) heaters based on Inditherm's core low voltage technology. These are sold to a wide variety of industries including food and beverage, confectionery, pharmaceutical and chemical. Products are sold predominately in the UK.

Central and Unallocated costs (Central costs)

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

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

3 Segmental analysis (continued)

Segmental information for the year ended 31 December 2010 and 2009 is as follows:

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

	Industrial Standard Product £000's	Medical £000's	Central costs £000's	Represented 2009 Total £000's
Orders	105	801	–	906
Revenue	111	791	–	902
Operating profit/(loss) before exceptional costs	(21)	118	(847)	(750)
Trade receivables	16	115	–	131

The segmental analysis for 2009 has been represented to reflect the discontinuation of the Industrial process solutions business. As a result fixed overheads of the manufacturing facility that were previously allocated to the Industrial segment are now borne by the Medical segment.

Reconciliation of segmental operating profit to deficit for the year attributable to equity holders

	2010 £000's	2009 £000's
Operating loss on continuing activities	**(417)**	(750)
Loss on discontinued activities (see Note 2)	**(106)**	(398)
Finance income	**8**	27
Taxation credit from loss on ordinary activities	**27**	39
Deficit for the year attributable to equity holders	**(488)**	(1,082)

Reconciliation of Segmental trade receivables to total net assets

	2010 £000's	2009 £000's
Trade receivables – Continuing operations	**127**	131
Trade receivables – Discontinued operations	**63**	99
Total Trade receivables	**190**	230
Prepayments and accrued income	**48**	35
Property, plant and equipment	**45**	52
Intangible assets	**75**	95
Inventories	**132**	144
Current tax asset	**32**	79
Cash and cash equivalents	**1,701**	2,092
Trade and other payables	**(238)**	(249)
Provisions for liabilities and charges	**–**	(5)
Net Assets	**1,985**	2,473

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

4 Employees

Group and Company Aggregate employee costs are as follows:	**2010** **£'000**	2009 £'000
Wages and salaries	**639**	613
Social security costs	**64**	65
Pension costs – defined contribution schemes	**15**	14
Share based payment	**–**	12
Total continuing operations	**718**	704
Total discontinued operations	**183**	317
Total	**901**	1,021

Average number of persons including executive directors employed:

	2010 **Number**	2009 Number
Management and administration	**4**	4
Medical sales	**6**	5
Industrial sales	**1**	1
Development	**1**	1
Production	**7**	7
Total continuing operations	**19**	18
Total discontinued operations	**5**	7
Total	**24**	25

Directors' emoluments

The emoluments of the directors of the Company are:

	2010 **£'000**	2009 £'000
Aggregate emoluments	**281**	283
Contributions to defined contribution pension scheme	**10**	10
	291	293

The emoluments of the highest paid director were £125k (2009: £126k), Contributions to pension arrangements for the highest paid director were £5k (2009: £5k).

No directors exercised share options during the year (2009: none).

Notes forming part of the Financial Statements
for the year ended 31 December 2010 *(continued)*

5 Operating loss

Operating loss for continuing operations has been arrived at after charging/(crediting):

	2010 £'000	2009 £'000
Depreciation of property, plant and equipment – owned assets	**23**	42
Amortisation of intangible fixed assets	**23**	19
Profit on disposal of property, plant and equipment	**–**	(3)
Property lease payments	**71**	71
Other operating leases	**35**	40
Research and development costs*	**104**	100
Grant income	**(18)**	(3)
Auditor's remuneration		
For audit services -statutory	**24**	24
For non-audit services – tax fees	**3**	3
Total – Auditor's remuneration	**27**	27

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

The figures for 2009 have been represented to remove costs relating to discontinued operations.

6 Finance income

	2010 £'000	2009 £'000
Finance income		
Bank interest receivable	**8**	27

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

7 Taxation

(a) Analysis of credit in year

	2010	2009
Tax credit:	**£'000**	£'000
UK corporation tax credit – Current year	**26**	39
– Prior year	**1**	–
	27	39

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

The tax assessed for the year is explained below:

	2010 £'000	2009 £'000
Loss on continuing activities before taxation	**(409)**	(723)
Loss on ordinary activities multiplied by expected rate of corporation tax of 21% (2009: 21%)	**(86)**	(152)
Effects of:		
Expenses not deductible for tax purposes	**2**	3
Depreciation and Amortisation in excess of capital allowances not recognised as deferred tax asset	**10**	(7)
Research and development expenditure surrendered	**22**	39
Trading losses carried forward	**26**	156
Prior year adjustment	**(1)**	–
	27	39

The Research and development tax credit is effectively at an enhanced rate to the expenditure at the expected rate of corporation tax of 21%.

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

	2010 £'000	2009 £'000
Loss on discontinued activities before taxation	**(106)**	(398)
Loss on ordinary activities multiplied by expected rate of corporation tax of 21% (2009: 21%)	**(22)**	(83)
Effects of:		
Trading losses carried forward	**22**	83
	–	–

(d) Factors that may affect future tax charges

The Group has tax losses estimated at £6,849k (2009: £6,497k) available for relief against future trading profits.

Deferred taxation

	2010 £'000	2009 £'000
Accelerated capital allowances and other timing differences	**100**	95
Losses	**1,413**	1,365
	1,513	1,460

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

8 Loss per share

The calculations of loss per ordinary share are based on a weighted average of 51,112,581 (2009: 51,112,581) ordinary shares in issue during the year. The share options are anti-dilutive due to the loss in the year, and have therefore been excluded.

The loss per share from total Inditherm Group attributable to equity holders of the Company is based on the total deficit for the year attributable to equity holders of £488k (2009: £1,082k).

The loss per share from continuing operations attributable to equity holders of the Company is based on a loss for the year on continuing activities of £382k (2009: £684k).

The loss per share from discontinued operations attributable to equity holders of the Company is based on a loss for the year on disontinued activities of £106k (2009: £398k).

9 Property, plant and equipment

Group and Company

	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
01-Jan-09	236	185	67	488
Additions	–	4	–	4
Disposals	–	(2)	–	(2)
31-Dec-09	236	187	67	490
Additions	1	20	–	21
Disposals	(5)	(21)	(9)	(35)
31-Dec-10	**232**	**186**	**58**	**476**
Accumulated depreciation				
01-Jan-09	165	144	64	373
Depreciation charge	20	22	3	45
Provision for diminution in value	11	11	–	22
Disposals	–	(2)	–	(2)
31-Dec-09	196	175	67	438
Depreciation charge	15	8	–	23
Provision for diminution in value	2	3	–	5
Disposals	(5)	(21)	(9)	(35)
31-Dec-10	**208**	**165**	**58**	**431**
Net book amount				
31-Dec-10	**24**	**21**	**–**	**45**
31-Dec-09	40	12	–	52

Notes forming part of the Financial Statements
for the year ended 31 December 2010 *(continued)*

10 Intangible assets

Group

	Intellectual property rights £'000	Product development costs £'000	Total £'000
Cost			
01-Jan-09	136	91	227
Additions	–	40	40
Aborted development costs	–	(18)	(18)
31-Dec-09	136	113	249
Additions	–	3	3
31-Dec-10	136	116	252
Accumulated amortisation and impairment			
01-Jan-09	135	–	135
Amortisation charge	1	18	19
31-Dec-09	136	18	154
Amortisation charge	–	23	23
31-Dec-10	136	41	177
Net book amount			
31-Dec-10	**–**	**75**	**75**
31-Dec-09	–	95	95

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

Amortisation of intangible assets is included within cost of sales within the income statement.

Intellectual property rights were fully amortised in the prior year.

11 Investments in subsidiaries – Company

Investment in subsidiaries at cost:	£
At 1 January 2010 and **31 December 2010**	**104**

Provisions of £104 have been made against the investment (2009: £104).

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

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

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

12 Inventories

Group and Company	**2010**	2009
	£'000	£'000
Raw materials	**126**	139
Work in progress	**6**	5
	132	144

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

In 2009 a provision of £51k was made to reflect the change in business strategy announced on 27 July 2009 which reduced the emphasis on the Industrial segment. As explain in the Chairman's statement after failing to secure key orders for the Industrial process sector the business decided to exit the Industrial Process sector and a further provision was made for £40k was during the year. This was highlighted in the Interim report for the six months ending 30 June 2010. Both provisions have been treated as exceptional items in the respective periods and are disclosed in note 2 Discontinued operations.

The amount charged to the income statement in respect of the writing down of inventories was £25k (2009: £20k). The amount credited to the income statement in respect of reversals of write downs was £59k (2009: £22k). The cost of materials included in cost of sales was £291k (2009: £216k).

13 Trade and other receivables

Group and Company	**2010**	2009
	£'000	£'000
Trade receivables	**190**	230
Prepayments and accrued income	**48**	35
	238	265

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

Trade receivables are presented net of provision for doubtful trade receivables of £5k (2009: £3k), all provisions for doubtful debts are against specific customers' accounts.

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

Group and Company	**2010**	2009
	£'000	£'000
At 1 January	**3**	6
Provision made for impaired receivables	**6**	3
Unused provision reversed	**(1)**	(6)
Receivables written off during the year as uncollectable	**(3)**	–
At 31 December	**5**	3

Other receivable balances do not contain impaired assets.

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

13 Trade and other receivables (continued)

At 31 December 2010 trade receivables of 5k (2009: £3k) were impaired. The amount of provision was £5k (2009: £3k).

The ageing of these receivables is as follows:

Group and Company	2010 £'000	2009 £'000
Under one year	**5**	3
	5	3

At 31 December 2010 trade receivables of £58k (2009: £105k) were past due but not impaired. These receivable balances are not considered impaired because the balances have been acknowledged as payable by the customers and are within credit limits set up for the respective customers. The ageing of these receivables is as follows:

Group and Company	2010 £'000	2009 £'000
Up to three months	**58**	105
	58	105

The carrying value of receivables that would have been past due or impaired, but whose terms have been renegotiated is £nil (2009 £nil).

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

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

The Company's receivable due from subsidiaries of £903k (2009: £903k) is fully impaired.

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

Group and Company	2010 £'000	2009 £'000
Pounds sterling	**224**	256
US Dollar	**–**	4
Euro	**14**	5
	238	265

14 Trade and other payables:

Group and Company	2010 £'000	2009 £'000
Trade payables	**100**	83
Other payables	**3**	8
Other taxes and social security	**22**	34
Accruals	**113**	124
	238	249

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

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

15 Financial risk management

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

Liquidity risk

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

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

Credit risk

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

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

Interest rate risks

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

Foreign currency risks

It is recognised that the Company has a growing exposure to the foreign currency risks as export levels rise and it is appropriate to use spot and forward foreign exchange contracts, as part of its strategy for foreign currency risk management, to protect the value of the trading margins and cashflow.

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

16 Capital risk management

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

Notes forming part of the Financial Statements
for the year ended 31 December 2010 *(continued)*

17 Provision for liabilities
Movements in the provision are as follows:

Group and Company

	Warranty provision 2010	Warranty provision 2009
	£'000	£'000
At 1 January	**5**	–
New provision charged to the income statement	**–**	5
Provision not required released during the year	**5**	–
At 31 December	**–**	5

18 Share capital

	2010 Number	**2010 £'000**	2009 Number	2009 £'000
Issued, called up and fully paid				
Ordinary shares of 1p each	**51,112,581**	**511**	51,112,581	511
Authorised share capital				
Ordinary shares of 1p each	**78,000,000**	**780**	78,000,000	780
Preference shares of £1 each	**220,000**	**220**	220,000	220
		1,000		1,000

19 Commitments under operating leases

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

	Land and buildings		**Other**	
Group and company	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Within one year	**71**	71	**26**	22
In the second to fifth years inclusive	**286**	286	**26**	9
After five years	**72**	143	**–**	–
	429	500	**52**	31

20 Contingent liabilities

The Company received revenue and capital grants totalling £133k in 2003 and 2004, of which £nil has been recognised in the current year (2009: £3k). The grant may become repayable, under certain conditions, if various targets are not achieved. The directors do not expect any loss to arise.

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

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

Notes forming part of the Financial Statements

for the year ended 31 December 2010 *(continued)*

21 Share based payments

No share options were granted, exercised or forfeited during the year. The number of share options that are in issue at 31 December 2010 is 1,727,297 (2009: 1,727,297), of which 1,727,297 (2009: 1,727,297) are exercisable at 31 December 2010. Share options are exercisable at prices between 10p and 222p, with a weighted average exercise price of 42.4p. The weighted average contractual life of outstanding share options is 3.8 years (2009: 4.8 years).

The expense recognised in the year from equity settled share based payments was £nil (2009: £12k) in respect of 600,000 share options granted on 21 December 2007, and this completes the charges in respect of the issue of those options. The fair value of the share options granted in 2007 was determined by the Black-Scholes pricing model. The key assumptions used were the share price at the date of issue, the strike price of the options, life of the options, historic volatility and benchmarking other AIM listed companies.

There were no cash settled share based payment transactions.

22 Related party transactions

Key management

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

Company – transactions with subsidiaries

Royalties amounting to £ nil (2009: £2k) were payable by Inditherm plc to its subsidiary Inditherm (Medical) Limited in relation to the use of intellectual property.

Amounts due from Inditherm (Medical) Limited at 31 December 2010 of £903k (2009: £903k) have been provided for in full.

Other Shareholder Information

SHAREHOLDER ENQUIRIES

Shareholder enquiries should be directed to the Company's registrars, Capita Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (telephone 0871 664 0300 - calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday-Friday; email ssd@capitaregistrars.com).

FINANCIAL DIARY

Announcement of 2010 annual results	31 March 2011
Annual General Meeting	5 May 2011
Announcement of 2011 interim results	29 September 2011
Announcement of 2011 annual results	29 March 2012

CAPITA REGISTRARS

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

Registrar's On-Line Service

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

Share Dealing Services

Capita offers an on-line and telephone share dealing service which is available by logging on to www.capitadeal.com or telephoning 0871 664 0346 (calls cost 10p per minute plus network extras; lines are open 8am to 4.30pm, Monday – Friday). For the on-line service, Capita's commission rates are 1% of the value of the deal (minimum £20.00, maximum £75) and for the telephone service, Capita's commission rates are 1.50% of the value of the deal (minimum £25.00, maximum £102.50).

Duplicate Share Register Accounts

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

Notice of Annual General Meeting

Notice is given that the 2011 Annual General Meeting of the Company will be held at The Cusworth Suite, Holiday Inn Doncaster A1(M) junction 36, High Road Warmsworth, Doncaster, South Yorkshire, DN4 9UX on Thursday 5 May 2011 at 12.00 pm for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the accounts of the Company for the year ended 31 December 2010 together with the Directors' Report and the Auditors' Report and to consider the recommendation of the directors that no dividend be declared in respect of the year.

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

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

SPECIAL BUSINESS

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

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

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

By Order of the Board
I D Smith
Secretary
31 March 2011

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

Notice of Annual General Meeting
continued

NOTES:

1. Members entitled to attend and vote at the Annual General Meeting are entitled to appoint one or more proxies to attend and, upon a poll, vote in their place. A proxy need not be a member of the Company. To appoint more than one proxy you may photocopy this Proxy Form. Please indicate next to the proxy holder's name, the number of shares in relation to which you authorise them to act as your proxy and complete all voting instructions. Please also indicate by ticking the box provided if the proxy is one of multiple instructions being given. All such Proxy Forms should be returned together in the same envelope.
2. To be valid a proxy form together with any power of attorney or other written authority under which it is signed or a duly certified copy of it (failing previous registration with the Company) must be lodged with the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 12.00pm on 3 May 2011. Completion and return of proxy forms will not preclude shareholders from attending and voting at the Meeting in person should they wish to do so.
3. Only holders of ordinary shares or their proxies are entitled to attend and vote at the Annual General Meeting.
4. In the case of a corporation this form of proxy must be given under its common seal, or signed by two directors or by a director and the secretary, or signed on its behalf by an attorney or a duly authorised officer of the corporation.
5. In the case of joint holders, any one of them may sign but the names of all joint holders should be stated. The vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined.
6. The withheld option on the Proxy Form is provided to enable you to abstain on any particular resolution. However, a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.
7. The CREST electronic proxy appointment service is available for this Annual General Meeting. To use this service CREST members should transmit a CREST proxy instruction so as to reach Capita Registrars, CREST participant ID RA10, by not later than 12.00pm on 3 May 2011 or in the case of any adjournment no later than 48 hours before the time fixed for the adjourned meeting.
8. In accordance with regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than close of business on 3 May 2011 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.

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