



**INDITHERM plc**

Annual Report &  
Financial Statements  
**2011**

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## Inditherm at a glance

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

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

## Inditherm – Target markets

### **Medical**

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

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

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

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

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

### **Industrial**

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

## Directors and Advisers

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

# Chairman's Statement

## Overview

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

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

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

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

## Results

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

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

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

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

## Operations

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

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

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

# Chairman's Statement

continued

## **Dividends**

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

## **Employees**

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

## **Outlook**

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

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

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

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

## **MARK ABRAHAMS**

*Chairman*

29 March 2012

# Chief Executive's Review

## **Overview**

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

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

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

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

## **Sales and Marketing**

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

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

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

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

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

## **Product Development**

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

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

# Chief Executive's Review

## continued

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

### **Operations**

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

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

### **Outlook**

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

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

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

### **NICK BETTLES**

*Chief Executive*

29 March 2012

# Directors and Board Committees

## Directors

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

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

*Nick Bettles (Aged 56, Chief Executive)*

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

*John Markham OBE (Aged 65) \**

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

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

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

\* Non-executive

## Board Committees

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

### **Audit committee**

Mark Abrahams *Chairman*  
John Markham

### **Remuneration committee**

John Markham *Chairman*  
Mark Abrahams

### **Nominations committee**

Mark Abrahams *Chairman*  
John Markham  
Nick Bettles

# Statement of Corporate Governance

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

## **Board Composition**

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

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

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

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

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

## **Board Committees**

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

### ***Audit Committee***

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

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

### ***Remuneration Committee***

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

### ***Nominations Committee***

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

## **Board Appointments**

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

# Statement of Corporate Governance

## continued

### **Relations with Shareholders**

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

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

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

### **Internal Control**

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

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

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

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

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

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

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

### **Going Concern**

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

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

# Remuneration Report

## **Responsibilities**

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

## **Directors' service contracts**

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

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

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

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

## **Remuneration of Non-executive directors**

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

## **Executive remuneration policy**

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

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

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

# Remuneration Report

continued

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

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

## Remuneration components for executive directors

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

- *Basic salary/fees and benefits*

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

- *Annual performance related bonus*

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

- *Pensions*

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

- *Executive share options schemes*

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

## Unilateral concessions

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

Mark Abrahams

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

John Markham

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

# Remuneration Report

continued

Nick Bettles

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

As consideration for making this concession, Mr Bettles will receive a concession payment equal to 2.5 times the total amount already deducted in line with this concession if profit criteria are achieved or if the business, or part thereof, is sold for sufficient value. No provisions have been made for this payment in the financial statements to 31 December 2011. Further details are explained in note 19, Contingent liabilities.

## Directors' detailed emoluments

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

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

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

## Interests in share options

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

	<b>Date of grant</b>	<b>Option price</b>	<b>2011 Number</b>	<b>2010 Number</b>
MS Abrahams	<b>10/12/2001</b>	<b>97p</b>	–	207,540
JH Markham	<b>09/04/2002</b>	<b>222p</b>	–	30,000
N Bettles	<b>27/05/2008</b>	<b>10p</b>	<b>400,000*</b>	400,000*
ID Smith	<b>02/04/2004</b>	<b>52.5p</b>	<b>100,000</b>	100,000
ID Smith	<b>27/05/2008</b>	<b>10p</b>	<b>200,000*</b>	200,000*

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

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

The market price of the Company's shares at 31 December 2011 was 3.5p: the range of market prices during the year was 2.88p to 4.50p.

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

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

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

# Remuneration Report

continued

## Directors' interests in shares

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

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

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

All directors' interests are beneficially held.

## JOHN H MARKHAM

*Chairman, Remuneration Committee*

29 March 2012

# Statement of Directors' Responsibilities

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

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

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

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

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

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

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

By order of the Board

**IAN D SMITH**

*Finance Director and Company Secretary*

29 March 2012

# Report of the Directors

for the Year ended 31 December 2011

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

## **Results and dividends**

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

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

## **Principal activity and business review**

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

## **Principal risks and uncertainties**

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

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

## **Key Performance Indicators**

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

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

## **Substantial interests**

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

<b>Shareholder</b>	<b>Number of shares</b>	<b>Percentage holding</b>
D G Steward	15,050,000	29.4%
Patrick O'Grady	4,894,994	9.6%
Allianz Cornhill Insurance plc	4,600,000	9.0%
First Phoenix VCT plc	3,400,000	6.7%
Aviva plc	2,972,085	5.8%
Amati VCT 2 plc	2,500,000	4.9%
AXA Investment Managers Limited	2,112,085	4.1%

## **Creditor payment policy and practice**

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

## **Research and development**

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

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

## **Financial instruments**

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

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

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

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

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

# Report of the Directors

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

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

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

### **Political and charitable donations**

The Company does not make political or charitable donations.

### **Indemnification of directors**

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

### **Re-appointment of auditors**

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

### **Special business**

- Resolution 4 in the Notice of Annual General Meeting on page 40 renews the authority of the directors to allot relevant securities. The nominal amount of securities to which the authority relates is £25,000, which represents approximately 5% of the Company's current issued share capital. Such authority will expire at the conclusion of the Annual General Meeting next following the passing of this Resolution or if earlier fifteen months after the date of this Ordinary Resolution. The directors have no present intention of exercising this authority.
- Resolution 5 waives the statutory pre-emption rights under s.561 of the Companies Act 2006 in respect of the allotment of equity securities for cash. The nominal amount of equity securities which may be issued without being offered to existing shareholders is £25k, as noted above for Resolution 4. There is no present intention to make any such allotment of equity securities, but the directors consider it desirable to maintain the flexibility afforded by this power.
- Resolution 6 seeks shareholder approval to extend The Inditherm plc Enterprise Management Incentive Scheme for 10 years. The scheme was initially adopted by the Company on 10 December 2001 and ran for a 10-year period expiring on 10 December 2011. Following discussions with and the agreement of major shareholders, the Board of Directors (under the rules of the scheme) extended this for 12 months but is now seeking shareholders' approval to extend the scheme, otherwise unchanged, for a further period through to 10 December 2021.
- The directors believe that the three Resolutions above are in the best interests of the Company and shareholders and they therefore recommend shareholders' to vote in favour of the Resolutions.

By order of the Board

**IAN D SMITH**

*Secretary*

29 March 2012

# Independent Auditors' Report to the Members of Inditherm plc

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

## **Respective responsibilities of directors and auditors**

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

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

## **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion:

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

## **Opinion on other matter prescribed by the Companies Act 2006**

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

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

## **Matters on which we are required to report by exception**

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

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

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

29 March 2012

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Notes	<b>2011</b> £'000	2010 £'000
<b>Revenue</b>	3	<b>1,659</b>	1,324
Cost of sales		(659)	(519)
<b>Gross profit</b>		<b>1,000</b>	805
Administrative expenses		(1,131)	(1,222)
<b>Operating loss</b>	5	<b>(131)</b>	(417)
Finance income	6	<b>10</b>	8
<b>Loss on ordinary activities before taxation</b>		<b>(121)</b>	(409)
Taxation credit from loss on ordinary activities	7	<b>13</b>	27
<b>Loss for the year on continuing activities</b>		<b>(108)</b>	(382)
<b>Loss from discontinued activities</b>	2	–	(106)
<b>Loss and total comprehensive income for the period attributable to equity shareholders</b>		<b>(108)</b>	(488)
 <b>Loss per share from continuing operations attributable to equity holders of the Company during the year – basic and diluted</b>	 8	 <b>(0.2p)</b>	 (0.7p)
 <b>Loss per share from total Inditherm Group attributable to equity holders of the Company during the year – basic and diluted</b>	 8	 <b>(0.2p)</b>	 (1.0p)

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

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

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

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

**N BETTLES**

*Director*

**ID SMITH**

*Director*

# Consolidated and Company Balance Sheet

as at 31 December 2011

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

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

**N Bettles**  
*Director*

**ID Smith**  
*Director*

## Consolidated and Company Statement of Changes in Shareholder Equity

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

## Consolidated and Company Cash Flow Statement for the year ended 31 December 2011

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

# Notes forming part of the Financial Statements

for the year ended 31 December 2011

## **1 Accounting Policies**

### **Basis of preparation**

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

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

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

### **Basis of consolidation**

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

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

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

### **Going Concern basis**

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

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

### **Critical accounting estimates and judgements**

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

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

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

New and amended standards adopted by the Group or Company

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

# Notes forming part of the Financial Statements

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

## 1 Accounting Policies (continued)

### New accounting standards and IFRIC interpretations

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

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

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

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

### Revenue recognition

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

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

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

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

### Exceptional items

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

### Employee benefits

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

### Share-based incentives

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

# Notes forming part of the Financial Statements

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

## **1 Accounting Policies (continued)**

### **Research and development costs**

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

### **Product development costs**

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

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

### **Leases**

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

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

### **Foreign currency transactions and balances**

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

### **Property, plant and equipment**

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

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

### **Intangible assets**

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

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

### **Impairment of non-financial assets**

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

# Notes forming part of the Financial Statements

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

## **1 Accounting Policies (continued)**

### **Taxation**

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

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

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

### **Inventories**

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

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

### **Trade and other receivables**

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

### **Investments**

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

### **Cash and cash equivalents**

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

### **Derivative financial instruments**

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

### **Trade payables**

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

### **Grants**

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

# Notes forming part of the Financial Statements

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

## 1 Accounting Policies *(continued)*

### Provisions

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

### Warranty provision

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

### Share capital

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

## 2 Continuing/Discontinued operations

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

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

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

	Notes	Continuing Operations		Discontinued Operations		Total 2011 £'000	Total 2010 £'000
		2011 £'000	2010 £'000	2011 £'000	2010 £'000		
<b>Revenue</b>	3	<b>1,659</b>	1,324	—	324	<b>1,659</b>	1,648
Cost of sales		(659)	(519)	—	(227)	(659)	(746)
<b>Gross profit</b>		<b>1,000</b>	805	—	97	<b>1,000</b>	902
Administrative expenses		(1,131)	(1,222)	—	(203)	(1,131)	(1,425)
<b>Operating loss</b>	5	<b>(131)</b>	(417)	—	(106)	<b>(131)</b>	(523)
Finance income	6	<b>10</b>	8	—	—	<b>10</b>	8
<b>Loss before taxation</b>		<b>(121)</b>	(409)	—	(106)	<b>(121)</b>	(515)
Taxation credit from loss on ordinary activities	7	<b>13</b>	27	—	—	<b>13</b>	27
<b>Total deficit for the year attributable to equity holders</b>		<b>(108)</b>	(382)	—	(106)	<b>(108)</b>	(488)
<b>Loss per share – basic and diluted</b>	8	<b>(0.2p)</b>	(0.7p)	—	(0.3p)	<b>(0.2p)</b>	(1.0p)

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

# Notes forming part of the Financial Statements

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

## **3 Segmental analysis**

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

There is no inter-segmental trading.

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

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

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

### **Medical**

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

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

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

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

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

### **Industrial**

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

# Notes forming part of the Financial Statements

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

### 3 Segmental analysis (*continued*)

#### Central and Unallocated costs (Central costs)

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

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

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

  

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

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

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

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

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

# Notes forming part of the Financial Statements

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

## **4 Employees**

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

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

Average number of persons including Executive Directors employed:

	<b>2011 Number</b>	2010 Number
Management and administration	<b>4</b>	4
Medical Sales	<b>6</b>	6
Industrial Sales	<b>1</b>	1
Development	<b>1</b>	1
Production	<b>8</b>	7
Total continuing operations	<b>20</b>	19
Total discontinued operations	<b>–</b>	5
Total	<b>20</b>	24

## **Directors' emoluments**

The emoluments of the directors of the Company are:

	<b>2011 £'000</b>	2010 £'000
Aggregate emoluments	<b>277</b>	281
Contributions to defined contribution pension scheme	<b>10</b>	10
	<b>287</b>	291

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

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

# Notes forming part of the Financial Statements

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

## 5 Operating loss

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

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

## 6 Net finance income

	2011 £'000	2010 £'000
<b>Finance income</b>		
Bank interest receivable	<b>10</b>	8

## 7 Taxation

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

	2011 £'000	2010 £'000
<b>Tax Credit:</b>		
UK corporation tax credit – Current year	<b>13</b>	26
– Prior year	–	1
	<b>13</b>	27

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

The tax assessed for the year is explained below:

	2011 £'000	2010 £'000
Loss on continuing activities before taxation	<b>(121)</b>	(409)
Loss on ordinary activities multiplied by expected rate of corporation tax of 20.25% (2010: 21%)	<b>(25)</b>	(86)
Effects of:		
Expenses not deductible for tax purposes	<b>3</b>	2
Depreciation and Amortisation in excess of capital allowances not recognised as deferred tax asset	<b>(3)</b>	10
Loss utilised on Research and Development claim	<b>10</b>	22
Trading losses for which no deferred tax has been recognised	<b>15</b>	53
Prior year adjustments	–	(1)
Research and development tax credit-current year	<b>13</b>	26
Research and development tax credit-prior year	–	1
Total tax credit	<b>13</b>	27

The Research and development tax credit is effectively at an enhanced rate to the expenditure at the expected rate of corporation tax of 20.25% (2010: 21%).

# Notes forming part of the Financial Statements

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

## 7 Taxation (continued)

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

	2011 £'000	2010 £'000
Loss on discontinued activities before taxation	–	(106)
Loss on ordinary activities multiplied by expected rate of corporation tax of 20.25% (2010: 21%) carried forward	–	(22)
Trading losses carried forward	–	(22)

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

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

#### Deferred taxation

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

Note that the effective future tax rate is 20.25% (2010: 21%).

## 8 Loss per share

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

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

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

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

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

**9 Property, plant and equipment****Group and Company**

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

**10 Intangible assets****Group**

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

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

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

# Notes forming part of the Financial Statements

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

## 11 Investments in subsidiaries – Company

Investment in subsidiaries at cost:	£
At 1 January 2011 and <b>31 December 2011</b>	<b>104</b>

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

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

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

## 12 Inventories

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

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

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

## 13 Trade and other receivables

Group and Company	2011 £'000	2010 £'000
Trade receivables	198	190
Prepayments and accrued income	35	48
	<b>233</b>	238

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

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

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

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

# Notes forming part of the Financial Statements

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

## **13 Trade and other receivables (continued)**

Other receivable balances do not contain impaired assets.

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

The ageing of these receivables is as follows:

<b>Group and Company</b>	<b>2011</b>	<b>2010</b>
	£'000	£'000
Under one year	-	5
Over one year	1	-
	1	5

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

<b>Group and Company</b>	<b>2011</b>	<b>2010</b>
	£'000	£'000
Up to three months	92	58
	92	58

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

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

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

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

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

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

## **14 Trade and other payables:**

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

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

# Notes forming part of the Financial Statements

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

## 15 Financial risk management

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

### *Liquidity risk*

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

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

	3 months and under	4 to 12 months	Greater than 12 months	2011 Total
<b>Financial liabilities</b>	<b>(213)</b>	<b>(20)</b>	<b>(5)</b>	<b>(238)</b>
<b>Cash and Cash Equivalents</b>	<b>1,628</b>	<b>–</b>	<b>–</b>	<b>1,628</b>
	3 months and under	4 to 12 months	Greater than 12 months	2010 Total
Financial liabilities	(223)	(12)	(3)	(238)
Cash and Cash Equivalents	1,701	–	–	1,701

### *Credit risk*

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

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

### *Interest rate risk*

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

### *Foreign currency risk*

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

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

## 16 Capital risk management

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

# Notes forming part of the Financial Statements

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

## 17 Share capital

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

## 18 Commitments under operating leases

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

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

## 19 Contingent liabilities

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

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

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

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

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

# Notes forming part of the Financial Statements

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

## **20 Share-based payments**

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

The number of share options that are in issue at 31 December 2011 is 1,104,907 (31 Dec 2010: 1,727,297), of which 1,104,907 (31 Dec 2010: 1,727,297) were exercisable at 31 December 2011. The exercisable share options have strike prices of between 10p and 222p, with a weighted average exercise price of 46.6p (2010 42.4p).

The weighted average contractual life of all outstanding share options on 31 December 2011 is 4.7 years (31 December 2010: 3.8 years).

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

There were no cash settled share-based payment transactions.

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

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

The fair value of the share options granted on 18th January 2012 was determined by the Black-Scholes pricing model at £21k and this will be recognised on a straight-line basis over the three year vesting period. The key assumptions used were the share price at the date of issue, the strike price of the options, life of the options, historic volatility and benchmarking other AIM listed companies.

## **21 Related party transactions**

### *Key management*

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

### *Company – transactions with subsidiaries*

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

# Other Shareholder Information

## **SHAREHOLDER ENQUIRIES**

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

## **FINANCIAL DIARY**

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

## **CAPITA REGISTRARS**

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

### **Registrar's On-Line Service**

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

### **Share Dealing Services**

Capita offers an on-line and telephone share dealing service which is available by logging on to [www.capitadeal.com](http://www.capitadeal.com) or telephoning 0871 664 0346 (calls cost 10p per minute plus network extras; lines are open 8.00am to 4.30pm, Monday - Friday). For the on-line service, Capita's commission rates are 1% of the value of the deal (minimum £20.00, maximum £75) and for the telephone service, Capita's commission rates are 1.50% of the value of the deal (minimum £25.00, maximum £102.50).

### **Duplicate Share Register Accounts**

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

# Notice of Annual General Meeting

Notice is given that the 2012 Annual General Meeting of the Company will be held at The Cusworth Suite, Holiday Inn Doncaster A1(M) junction 36, High Road Warmsworth, Doncaster, South Yorkshire, DN4 9UX on Tuesday 24 April 2012 at 12.00pm for the following purposes:

## **ORDINARY BUSINESS**

1. To receive and adopt the accounts of the Company for the year ended 31 December 2011 together with the Directors' Report and the Auditors' Report and to consider the recommendation of the directors that no dividend be declared in respect of the year.
2. To reappoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next general meeting of the Company at which accounts are laid before the members and to authorise the directors to determine their remuneration.
3. To re-appoint Mr Mark Abrahams, retiring by rotation, as director in accordance with the provisions of the Articles of Association.

## **SPECIAL BUSINESS**

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

4. Generally and unconditionally to authorise the Directors (subject to the passing of Resolution 5 below and in substitution for all existing authorities) to exercise all the powers of the Company to allot relevant securities, within the meaning of Section 551 the Companies Act 2006 ("the Act") up to an aggregate nominal amount of £25,000. Such authority will expire at the conclusion of the Annual General Meeting next following the passing of this Resolution or, if earlier, 15 months after the date of this Ordinary Resolution. Nevertheless, the Company may, before the expiry of the authority conferred hereby, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the authority conferred hereby and the directors may allot the relevant securities, in pursuance of such offer or agreement, as if the authority conferred hereby had not expired.
5. To empower the directors (subject to the passing of Resolution 4 above) pursuant to Section 571 the Act to allot equity securities (as defined in Section 560 the Act) pursuant to the authority conferred by Resolution 5 as if sub-section (1) of Section 561 the Act did not apply to the allotment of equity securities for cash up to an aggregate nominal amount of £25,000.
6. The directors seek shareholder approval to empower the directors to extend The Inditherm plc Enterprise Management Incentive Scheme for 10 years. The scheme was initially adopted by the Company on 10 December 2001 and ran for a 10-year period, expiring on 10 December 2011. Following discussions with and the agreement of major shareholders, the Board of Directors (under the rules of the scheme) extended this for 12 months but is now seeking shareholders' approval to extend the scheme, otherwise unchanged, for a further period through to 10 December 2021.

### **By Order of the Board**

ID Smith  
Secretary  
29 March 2012

### **Registered Office:**

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

# Notice of Annual General Meeting

continued

**NOTES:**

1. Members entitled to attend and vote at the Annual General Meeting are entitled to appoint one or more proxies to attend and, upon a poll, vote in their place. A proxy need not be a member of the Company. To appoint more than one proxy you may photocopy the Proxy Form. Please indicate next to the proxy holder's name, the number of shares in relation to which you authorise them to act as your proxy and complete all voting instructions. Please also 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 20 April 2012. Completion and return of proxy forms will not preclude shareholders from attending and voting at the Meeting in person should they wish to do so.
3. Only holders of ordinary shares or their proxies are entitled to attend and vote at the Annual General Meeting.
4. In the case of a corporation this form of proxy must be given under its common seal, or signed by two directors or by a director and the secretary, or signed on its behalf by an attorney or a duly authorised officer of the corporation.
5. In the case of joint holders, any one of them may sign but the names of all joint holders should be stated. The vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined.
6. The withheld option on the Proxy Form is provided to enable you to abstain on any particular resolution. However, a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 24 April 2012 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

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

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

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

## Financial Calendar

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



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