



***INDITHERM*** plc

Annual Report &  
Financial Statements  
**2014**

# Contents

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

## Inditherm at a glance

Based near Rotherham, South Yorkshire and incorporated in the United Kingdom, Inditherm plc owns the proprietary 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 during the development stage of the Company it is focusing on medical applications, where there are perceived to be significant growth opportunities, and a range of standard products for heating intermediate bulk containers (IBCs), drums and gas bottles.

## Inditherm – Target markets

### **Medical**

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

### **Industrial**

The company currently focuses its attention on standard products for heating containers such as industry standard IBCs, drums and gas bottles. Products are sold predominantly in the UK via an office based sales resource. The product range is being developed and expanded to satisfy market requirements.

A small number of other products are made for customers where there is a standard design and volumes justify the development work.

## Directors and Advisers

<b>Directors</b>	MS Abrahams (Chairman) ND Bettles JH Markham ID Smith
<b>Company secretary and registered office</b>	ID Smith, Inditherm House, Houndhill Park, Bolton Road, Wath upon Dearne, Rotherham, S63 7LG
<b>Company number</b>	3587944
<b>Independent auditors</b>	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Benson House, 33 Wellington Street, Leeds, LS1 4JP
<b>Bankers</b>	HSBC, Montgomery Road, Wath Upon Dearne, Rotherham, S63 7QW
<b>Nominated adviser and broker</b>	WH Ireland Limited, Royal House, 28 Sovereign Court, Leeds, LS1 4BJ
<b>Legal advisers</b>	Eversheds LLP, Bridgewater Place, Water Lane, Leeds LS11 5DR
<b>Registrars</b>	Capita Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

# Strategic Report and Operating & Financial Review

## Overview

In line with the market conditions indicated in our Interim Report, the year showed an improved performance from export activities offset by challenging circumstances in the NHS and in our Industrial business. We continue to see interest in our products, however we still are experiencing delays to projects. Nevertheless as the imperative for cost reduction in the UK health service continues, and the importance of savings offered by Inditherm are recognised, we expect to return to growth in the UK.

We saw progress with the distributorship of the ATOM neonatal product range during the year, which has helped balance some of the shortfall in sales of our own products. Order intake in the first quarter of 2015 has shown a similar healthy start to the year as in 2014.

In the standard products sector of our Industrial business we saw steady performance in the first half of the year. Resource constraints prevented us sustaining that into the second half, but a positive contribution was still derived.

Reduced turnover for the business, combined with the increased overheads put in place to target export growth, resulted in significantly increased losses.

## Results

Turnover for the year fell by 10% to £1,847k (2013: £2,062k). Gross profit fell 14% to £1,004k (2013: £1,163k) in line with turnover and reflecting the shift towards export business which have lower operating margins.

During the year we commenced direct engagement with customers in the USA, invested further to support our other export territories and retained consultants to identify strategic options for the business. Accordingly, overheads increased by £141k during the year, to £1,403k (2013: £1,262k). This resulted in an increased operating loss of £399k (2013 £99k), but an underlying operating loss before exceptional costs of £356k (2013: £99k), and post-tax loss of £375k (2013: £77k). The exceptional costs consist of £32k (2013: £nil) relating to reviewing the strategic options and £11k (2013: £nil) relating to additional costs to support an orderly handover of the work in the technical department.

The year end cash and cash equivalents balance was £1,165k (2013: £1,635k), representing an outflow of £470k (2013: inflow £57k), reflecting trading performance.

## Sales and Marketing

Overall Medical revenue in 2014 fell by 9%, with the sizeable NHS orders placed in 2013 not repeated. Industrial revenue also fell by 22% due to the elimination of industrial process activities, resource constraints and our strategic decision not to let this sector distract us from our core Medical activities.

In common with the reported experiences of other medical equipment suppliers, our UK Medical business suffered from slow decision making in the NHS. Whilst NHS Trusts have been pursuing other and perhaps larger cost-saving projects, we do not see any underlying lack of interest in our offering, just an apparent delay in progressing projects to a conclusion. This situation is much as stated in our Interim Report, with sales characterised by smaller orders for the operating theatre sector and reduced sales of neonatal products due to pressures on capital budgets. We continue to see interest in the Managed Service offering, but this has not accelerated uptake as we had hoped.

The case studies generated in the last year and the NICE guidance and implementation support information continue to underpin our promotion into the UK operating theatre market. In the neonatal sector our reputation appears to remain strong and this is supported by a number of approaches from equipment producers to sell their products in the UK, which we are evaluating.

# Strategic Report and Operating & Financial Review

*(continued)*

We continued to see a good order intake for the ATOM products, albeit from existing users which typifies this market sector. NHS hospitals will typically only consider changing incubator supplier infrequently, and even then may wish to stay with familiar products, so the number of new projects is limited, but often of high value when they materialise. We continue to build our market presence with these products through our existing sales channels, promoting on the back of our established reputation.

We saw good performance from a number of our distributors during the year, with an 18% overall increase in export orders (excluding the USA). We further strengthened our resource for export activities during the year in line with our declared intention to drive progress with our overseas distribution channels. We enjoyed particular success in the Japanese market, through a combination of our existing channels into the operating theatre market boosted by initial order intake from our OEM partners in both neonatal and theatre sectors, and saw continued growth in China. The start of 2015 has seen very encouraging performance in Mexico where we have instigated a rental programme to overcome capital constraints; this is also expected to secure an ongoing revenue stream.

Towards the end of 2014 we retained our own dedicated resource in the USA to manage the market and start to drive growth. We have already established a solid network of regional specialty distributors for our operating room products who have taken demonstration stock and are active in the market. There are positive signs that we are already seeing more interest and we are benefitting from having more direct feedback from customers. We are also seeking an agreement for national distribution of our neonatal range in the coming months. The US market has shown a growing interest in LifeStart and a number of key centres have applied for budget to acquire systems. This presents an exciting potential, although it is still a little early to know how far or fast the demand will grow; however any research that promotes Delayed Cord Clamping where LifeStart has been used should serve to support our marketing efforts.

We continue to pursue OEM opportunities in different sectors. Two in Japan are already taken to market and a third is only pending medical device approvals of the partner's product in which our technology is incorporated. One project has now been put on hold by the partner and others are progressing at modest rates, but outside our control. Overall we are starting to see benefits from some of these collaborations and will continue to support projects that we consider warrant the resource.

## **Product Development**

We have continued to enhance our products during the year, expanding a number of our ranges and adding new features. We believe that these new additions will strengthen our product proposition and in some cases open new market opportunities. We will continue to develop new products, with a focus on those that use our core technology or that fit with our existing competencies and routes to market.

## **Operations**

We have maintained a dedicated and adaptable production team that allows us to react to variations in product demand and meet our anticipated growth plans. We also invest as necessary in tooling and equipment to meet the needs of our manufacturing processes and the Medical Device regulations.

We have invested further in our sales and marketing team and believe this will have a positive impact on our results. Feedback from our customers and distributors remains positive, confirming that they consider the quality of Inditherm's products and the service and support provided to be excellent.

# Strategic Report and Operating & Financial Review

(continued)

## Key Performance indicators

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

	2014	2013
<b>Order growth rate (Year on year)</b>	<b>(22%)</b>	36%
The value of orders won in the year dropped by 22% due to lower activities with the UK NHS and the loss of work for ADI following their decision to exit the Industrial Process heating segment, offset by 18% growth in export markets (excluding the USA).		
<b>Gross Margin % (Annual percentage)</b>	<b>54%</b>	56%
Small drop in Gross margin % is largely explained by the higher percentage of overseas revenues where margins are slightly lower. Overseas revenues have increased from 39% to 47%		
<b>Overheads before exceptional items</b>	<b>£1,360k</b>	£1,262k
Overheads have been again subject to tight cost control The increase is largely explained by additional selling resource put in place to target export growth		
<b>Cash resources available</b>	<b>£1,165k</b>	£1,635k
Cash outflow for the year of £470k reflect the loss for the year, lower trade credit due to lower activity levels and a reduction in deferred income.		

## Principal risks and uncertainties

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

- Business growth rates and global economic factors  
The Group's Board review on a monthly basis the level of orders received, the absolute level of prospects being pursued, and through a weighted scoring system the quality and timing of future prospects.
- Liquidity and going concern  
The Group's Board review on a monthly basis the Group's cash flow statement and the associated performance ratios for inventories, receivables and payables. Closure liabilities are calculated and updated monthly and compared with the cash resources in hand to ensure the Group is trading solvently.
- Polymer production and development programme  
Currently polymer production runs are performed on average once a year because of the current usage levels and the economic batch sizes needed to utilise the coating equipment. There is an ongoing programme of work to improve the efficiency of the process, which involves working with the contract mixer and coating supplier to reduce set up wastage and improve the consistency of the resistance of polymer over the full length of the run.
- Patents infringement  
The Group constantly surveys the market for similar technologies and maintains a close contact with all its markets to ensure that if something is seen that appear to be comparable with Inditherm's patented technology it is investigated from both a technical and patent law perspective.

## 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 2014 and the Board does not expect to declare a dividend during the Company's continuing development.

# Strategic Report and Operating & Financial Review

*(continued)*

## Employees

We continue to invest in our workforce to ensure we have the appropriate skills with which to grow the business. We have continued our policy of retaining our loyal staff through the short term peaks and troughs of demand. On behalf of the Board, we thank our staff most sincerely for their continued support.

## Outlook

The impact of capital constraints in the NHS on our business during the year underlines for us the unpredictability of capital equipment sales in the UK Medical market. Our managed service proposition has been well received in principle as the stringent capital budget controls limit investment in many hospitals. This offering allows them to access revenue budgets. Provided this interest can be converted to orders, it will have the advantage of giving us an ongoing revenue stream. The strong arguments for Inditherm's cost saving potential in the operating theatre area, as supported by NICE guidance, remain valid.

The additional revenue from distribution of the ATOM product range in the UK & Ireland has continued to add a valuable contribution to our UK business. We have exclusive supply arrangements in the UK from one of the three principal manufacturers of incubators. Our presence on the NHS Supply Chain framework agreement, the product strengths and our good reputation in the neonatal market, makes us optimistic that we will make further progress with ATOM products this year.

With additional resources in place we resumed growth in export orders for our Medical business in 2014. We focussed on the territories with greatest perceived potential with a number of notable successes ensuing. We have continued to strengthen our distribution in a number of areas and see this as an ongoing process. We aim to build on this.

During the year we identified an opportunity to take a more proactive approach to the USA market, albeit by making a significant investment. With disappointing performance in the market for many years, we have taken the opportunity to introduce dedicated control of distribution. The new arrangements were up and running towards the end of 2014 and we have already secured distribution channels covering many of the key states. Activity levels are already high and we are optimistic that we can deliver an improvement in performance in the year ahead. We are seeing early interest in LifeStart in the USA and if this translates into orders it could underpin our aspirations for this year and could deliver encouraging growth moving forward. It is still early days for this part of our business, so there has to be a level of uncertainty until such time as we start to convert initial projects to orders and establish a pattern of sales.

We expect some of the projects involving the use of Inditherm technology in third party products (OEM) to start to deliver sales revenues this year, albeit on a modest scale due to the early stage of products in the market. However these have the potential to accelerate in future years with little sales resource needed from Inditherm. We have other projects in development, however the uncertainty surrounding those requires us to be cautious in our outlook.

We anticipate that our Industrial standard product business will continue to deliver a small positive contribution. We do not wish to be distracted from the core medical business and feel our resources need to be carefully allocated, with the result that growth in this sector cannot be guaranteed.

We expect to see sales growth in 2015, although it is likely that the uneven order pattern will continue. We anticipate that the highest growth potential will come from some recovery of lost momentum in the UK and possibly some additional revenues from the USA, both markets which have produced higher than average margins. We are predicting more modest growth in the other export territories. We have invested significant effort in evaluating strategic options available to us. The process has been thorough and has identified a small number of potentially suitable ways forward, which we are actively pursuing.

## MARK ABRAHAMS

*Chairman*

28 April 2015

## NICK BETTLES

*Chief Executive*

28 April 2015

## Directors and Board Committees

### Directors

*Mark Abrahams (Aged 60, Non-executive Chairman)\**

Mark is currently the 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 was also Vice Chair of Leeds Teaching Hospitals Trust and Non-executive Chairman of the Darby Group Plc. He is a Chartered Accountant and a Companion of the Institute of Management. He is a member of the Economics Growth Board of the CBI.

*Nick Bettles (Aged 60, 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 68) \**

John joined the Company in 2002. He has an honours degree in Chemical Engineering and is a Chartered Engineer, a Chartered Scientist and a Fellow of the Institution of Chemical Engineers. He was awarded the OBE in 1995 for services to industry. He is Chairman of the Northamptonshire Local Enterprise Partnership and Chairman of the Northamptonshire Leadership Group. He is on the Board of the Northampton Waterside Enterprise Zone and a Trustee of the Northampton Leisure Trust, a charitable organisation based in the town.

*Ian Smith (Aged 58, Finance Director and Company Secretary)*

Ian joined the Company in January 2004, is a Chartered Accountant, and qualified Corporate Treasurer. After training in the accounting profession Ian held roles in group accounting and treasury before moving into divisional and line operating roles.

Prior to joining Inditherm, Ian had been Finance Director for Portakabin Ltd and Divisional Finance Director of Holset, the turbo charging division of Cummins Engine Co Inc.

\* Non-executive

### Board Committees

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

#### *Audit committee*

Mark Abrahams *Chairman*  
John Markham

#### *Remuneration committee*

John Markham *Chairman*  
Mark Abrahams

#### *Nominations committee*

Mark Abrahams *Chairman*  
John Markham  
Nick Bettles

# Statement of Corporate Governance

As a company whose shares are traded on AIM, we are not required to comply with all the requirements of the UK Corporate Governance Code published by the Financial Reporting Council in September 2012. 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 certain provisions of The UK Corporate Governance Code of September 2012.

## **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 and the Consulting agreement with John Markham. 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 judgment. In making this consideration, account has been taken of John Markham's Consulting agreement with the Company. 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.

## **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.

# Statement of Corporate Governance

(continued)

## 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 year and the period to the date of approval of the financial statements.

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

- An ongoing process of risk assessment to identify, evaluate and manage business risks
- Management structure with clearly defined responsibilities and authority limits
- A comprehensive system of reporting financial results to the Board
- Quality control systems certified under ISO 9001 and ISO 13485
- Appraisal and authorisation of capital expenditure
- Monthly cash and bank audits performed by persons independent of the finance and accounting function
- Dual signatories on all bank accounts

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 financial constraints that the UK's National Health Service is facing 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.

## Consulting Agreement – John Markham

In 2013, as a result of the Company's technical manager's decision to emigrate from the UK to Australia the Company entered into a Consulting agreement with John Markham, to provide consulting support to maintain continuity and oversee polymer production and development. Mr. Markham has both extensive knowledge and proven skills in this field of chemistry and has been involved in the refining of the polymer process.

The annual remuneration under this agreement is £8,000 paid in 12 equal monthly instalments. The term of this agreement is a rolling twelve months that can be terminated, without compensation, by either party serving three months written notice.

It is recognised that such an arrangement with a non-executive director is not the norm but in view of the size of the business it was felt by the remaining members of the Board that this was the most cost effective way of maintaining continuity and technically the best solution in respect of polymer production and ongoing development.

## IAN D SMITH

*Company Secretary*

28 April 2015

# Remuneration Report

## Responsibilities

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

## Directors' service contracts

Mr. Bettles has a rolling 12 month contract and Mr. Smith a rolling 6 month contract. There are no provisions in either contract for compensation if there is a change of control. The service contracts do not contain any provision for compensation on early termination other than the notice period. In the event of any early termination, the Committee would seek to mitigate cost to the Company whilst dealing fairly with each individual case.

Mark Abrahams, Chairman, has a letter of appointment for a one year term through to 23 February 2016. John Markham, Non-Executive Director, was given a new letter of appointment for a further one-year term through to 23 February 2016. 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 of the director's fees.

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

	Unexpired term at 28 April 2015	Notice period
MS Abrahams	10 months	12 months
JH Markham	10 months	12 months
ND Bettles	12 months	12 months
ID Smith	6 months	6 months

## Consulting Agreement – John Markham

Under the terms of the Consulting agreement dated 1 November 2013 between Inditherm plc and John Markham, the details of which are explained in the Statement of Corporate Governance, the company paid total fees of £8k in the year (2013: £1k).

## 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 have remained unchanged since December 2007 reflecting the fact that the Company has not yet reached break-even or profitability.

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

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

# Remuneration Report

(continued)

## 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 maximum potential payment for the annual bonus is capped at 50% of basic annual salary, excluding benefits in kind and pension contributions. No bonus has been paid in the current or prior year.
- 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

### Nick Bettles

For the period 1 November 2010 until 30 April 2012 Mr. Bettles had made a concession to reduce his monthly remuneration by 10%. During the 18-month period in which the concession was in operation, the remuneration forgone during the period was £16,506, of which £3,668 arose in 2012.

As consideration for making this concession, Mr Bettles will receive a concession payment equal to 2.5 times the total amount already deducted in line with this concession if certain profit criteria are achieved or if the business, or part thereof, is sold for sufficient value. The cost of this to the Group (including Employers National Insurance) will be £46,960. No provision has been made for this in the results to 31 December 2014 (2013: £nil). This item is disclosed in Note 20 Contingent Liabilities.

## Directors' detailed emoluments

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

	Salary £'000	Bonus £'000	Pension contribution £'000	Benefits in kind £'000	2014 Total £'000	2013 Total £'000
MS Abrahams	35	–	–	–	35	35
JH Markham*	23	–	–	–	23	23
ND Bettles	110	–	5	16	131	128
ID Smith	91	–	5	13	109	109
	<b>259</b>	<b>–</b>	<b>10</b>	<b>29</b>	<b>298</b>	<b>295</b>

\* Emoluments as a director, John Markham received a further £8k (2013: £1k) under the terms of a Consulting agreement.

# Remuneration Report

(continued)

## Directors' detailed emoluments (continued)

Contributions to a defined contribution pension scheme were paid on behalf of 2 directors (2013: 2) during the year. No directors exercised share options during the current or previous year.

## Chief Executive's remuneration for past 5 years

The total remuneration of the Chief Executive over the past 5 years was as follows:

### Chief Executive's remuneration

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Salary	110	110	106	99	108
Bonus	–	–	–	6	–
Pension Contribution	5	5	5	5	5
Benefits in kind	16	13	13	12	12
Total Remuneration	131	128	124	122	125

The Chief Executive has an interest in 1,300,000 share options with strike prices ranging from 5p to 10p. Conditions pertaining to these options are set out in the section "Interests in share options" below.

The changes in salary relate to previous voluntary concessions made by the Chief Executive which reduced his salary between 2010 and 2012. Further details of this are explained in Note 20 Contingent Liabilities.

## 2015 Annual Review

There are no changes planned for 2015, reflecting the fact that the Company has not yet reached profitability.

## Interests in share options

Details of options held by directors at 31 December 2014 are set out below:

	Date of grant	Option price	2014 Number	2013 Number
ND Bettles	18/01/2012	5p	900,000	900,000
ND Bettles	27/05/2008	10p	400,000	400,000
ID Smith	18/01/2012	5p	350,000	350,000
ID Smith	27/05/2008	10p	200,000	200,000
ID Smith	02/04/2004	52.5p	–	100,000

During the year 100,000 share options at a strike price of 52.5p issued to ID Smith on 2 April 2004 time expired and lapsed without being exercised.

All share options satisfy the conditions and have been registered with Her Majesty's Revenue and Customs (HMRC) for Enterprise Management Incentive relief.

After an initial three-year qualification period options are exercisable at any time up to the tenth anniversary of the date of grant subject to a performance criterion that requires the company to have made an Operating Profit (before exceptional items) in the audited financial statements for the preceding 12 month period prior to the exercise of the options. There are also provisions, which may allow exercise of the Options in the event of a change of control, subject to the agreement of the Remuneration Committee.

The market price of the Company's shares at 31 December 2014 was 3.38p: the range of market prices during the year was 3.25p to 11p.

# 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:

	<b>2014</b>	2013
	<b>Number</b>	Number
	<b>of shares</b>	of shares
MS Abrahams	<b>301,546</b>	301,546
JH Markham	<b>29,366</b>	29,366
ND 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*

28 April 2015

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report and Operating & Financial Review, Report of the Directors 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 Group for that period. In preparing these financial statements, the directors are required to:

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

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

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

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

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

By order of the Board

**IAN D SMITH**

*Finance Director and Company Secretary*

28 April 2015

# Report of the Directors

## for the Year ended 31 December 2014

The directors present their Annual Report together with the Group's audited financial statements for the year ended 31 December 2014.

### Country of incorporation, domicile and registered office

Inditherm plc is incorporated under the laws of England and Wales as a public limited company and its registered office and principal place of business is Inditherm House, Houndhill Park, Bolton Road, Wath upon Dearne, Rotherham, S63 7LG.

### 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 2014 and the Board does not expect to declare a dividend during the Company's continuing development (2013: £nil).

### Directors

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

### Substantial interests

At 27 April 2015 the Company had been notified of the following interests (excluding the interests of the directors), which amounted to 3% or more of the issued capital of the Company.

Shareholder	Number of shares	Percentage holding
Mr. D G Steward	15,050,000	29.4%
Mr. P O'Grady	4,847,936	9.5%
Mr S Hawthorne	2,500,000	4.9%
Spreadex Ltd*	2,350,000	4.6%

\* shares held on behalf of discretionary clients

### Research and development

The Group continues to invest in research and development, in order to extend its product offerings and improve the effectiveness of its technology. In 2014 the Group incurred costs totalling £63k (2013: £72k).

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.

# Report of the Directors

for the Year ended 31 December 2014 *(continued)*

## **Financial instruments**

The Group's financial instruments comprise cash and various items such as trade receivables, trade payables and other payables 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 both short and medium term cash requirements and to meet its capital expenditure programme for the foreseeable future.

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

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

The Board reviewed and updated its investment strategy for its cash investments in light of 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 A or better for Long term investments and A1 for Short term investments. The Board keeps this situation under review.

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

Further information on financial instruments is set out in note 16.

## **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 independent 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.

# Report of the Directors

for the Year ended 31 December 2014 *(continued)*

## Special business

- Resolution 4 in the Notice of Annual General Meeting on page 42 renews the authority of the Directors to allot shares in the Company and to grant rights for or to convert any security into shares in the Company. 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 that may be issued without being offered to existing shareholders is £25,000, as noted above for Resolution 4. 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 Special Resolution. 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 pursuant to Article 8(A) of the Articles of Association of the Company and s701 of the Companies Act 2006 generally and unconditionally make market purchases for up to 5,110,000 ordinary shares of £0.01 each in the capital of the Company (being approximately 10 per cent. of the current issued ordinary share capital of the Company) in accordance with the provisions set out in resolution 6 in the Notice of Annual General Meeting on page 42. 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 Special Resolution. There is no present intention to make market purchases of market purchases of shares but the Directors consider it desirable to add the flexibility afforded by this power.

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**

*Company secretary*

28 April 2015

# Independent Auditors' Report to the Members of Inditherm plc

## Report on the financial statements

### Our opinion

In our opinion:

- Inditherm plc's Group and Company financial statements (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 2014 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("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.

### What we have audited

Inditherm plc's financial statements comprise:

- the Consolidated and Company Balance Sheet as at 31 December 2014;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Cash Flow Statement for the year then ended;
- the Consolidated and Company Statement of Changes in Shareholders' Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and 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.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Financial Statements (the 'Annual Report'), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

In our opinion, the information given in the Strategic Report and Operating & Financial Review and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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

## Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities 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) ("ISAs (UK & 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.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

28 April 2015

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Revenue</b>	2	<b>1,847</b>	2,062
Cost of sales		<b>(843)</b>	(899)
<b>Gross profit</b>		<b>1,004</b>	1,163
Overheads		<b>(1,403)</b>	(1,262)
<b>Operating loss</b>	4	<b>(399)</b>	(99)
Analysed as:			
Operating loss before exception items		<b>(356)</b>	(99)
Exceptional items	5	<b>(43)</b>	–
Operating loss		<b>(399)</b>	(99)
Finance income	6	<b>4</b>	6
<b>Loss on ordinary activities before taxation</b>		<b>(395)</b>	(93)
Taxation	7	<b>20</b>	16
<b>Loss for the year attributable to owners of the parent company</b>		<b>(375)</b>	(77)
<b>Loss per share attributable to owners of the parent company during the year – basic and diluted</b>	8	<b>(0.7p)</b>	(0.2p)

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

The notes on pages 23 to 40 are an integral part of these consolidated financial statements.

**ND Bettles**  
Director

**ID Smith**  
Director

# Consolidated and Company Balance Sheet

as at 31 December 2014

	Notes	2014 £'000	2013 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	36	44
Intangible assets	10	3	4
		<b>39</b>	48
<b>Current assets</b>			
Inventories	12	189	219
Trade and other receivables	13	284	349
Tax recoverable		36	28
Cash and cash equivalents		1,165	1,635
		<b>1,674</b>	2,231
<b>Total assets</b>		<b>1,713</b>	2,279
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	(220)	(368)
Deferred Income	15	(87)	(85)
		<b>(307)</b>	(453)
<b>Non-current liabilities</b>			
Deferred Income	16	(124)	(176)
<b>Total liabilities</b>		<b>(431)</b>	(629)
<b>Net assets</b>		<b>1,282</b>	1,650
<b>Shareholders' equity</b>			
Called up share capital	18	511	511
Share premium account		9,929	9,929
Share based payment reserve	21	155	148
Accumulated losses		(9,313)	(8,938)
<b>Total equity</b>		<b>1,282</b>	1,650

The financial statements on pages 20 to 40 were approved by the Board of Directors on 28 April 2015 and signed on its behalf by:

**ND Bettles**  
Director

**ID Smith**  
Director

## Consolidated and Company Statement of Changes in Shareholders' Equity

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2013	511	9,929	141	(8,861)	1,720
Credit for share based payments	-	-	7	-	7
Loss for the year and total comprehensive expense	-	-	-	(77)	(77)
At 31 December 2013	511	9,929	148	(8,938)	1,650
Credit for share based payments	-	-	7	-	7
Loss for the year and total comprehensive expense	-	-	-	(375)	(375)
<b>At 31 December 2014</b>	<b>511</b>	<b>9,929</b>	<b>155</b>	<b>(9,313)</b>	<b>1,282</b>

## Consolidated and Company Cash Flow Statement for the year ended 31 December 2014

<b>Group and Company</b>	<b>2014 £'000</b>	2013 £'000
<b>Operating loss before exceptional items</b>	<b>(356)</b>	(99)
Exceptional costs (refer to note 5)	<b>(43)</b>	-
Share based payments	<b>7</b>	7
Depreciation and amortisation	<b>22</b>	35
Decrease/ (increase) in inventories	<b>30</b>	(40)
Decrease/ (increase) in trade and other receivables	<b>65</b>	(133)
(Decrease)/ increase in trade and other payables	<b>(148)</b>	109
(Decrease)/ increase in deferred income	<b>(50)</b>	209
Interest received	<b>4</b>	6
Tax refund	<b>12</b>	-
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(457)</b>	94
<b>Cash flow from Investing activities</b>		
Purchase of property, plant and equipment	<b>(10)</b>	(37)
Capitalised development costs	<b>(3)</b>	-
<b>Net cash used in investing activities</b>	<b>(13)</b>	(37)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(470)</b>	57
Cash and cash equivalents at the beginning of the year	<b>1,635</b>	1,578
<b>Cash and cash equivalents at the end of the year</b>	<b>1,165</b>	1,635

# Notes forming part of the Financial Statements

## for the year ended 31 December 2014

### 1 Accounting Policies

#### Basis of preparation

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

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

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

#### Basis of consolidation

The financial statements of the Group consolidate the financial statements of Inditherm plc and its subsidiary undertakings up to 31 December 2014 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 for the year dealt with in the financial statements of the parent company was £375k (2013: £77k loss).

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 financial constraints that the UK's National Health Service is facing continue to create uncertainty particularly over the level of demand for the Group's products. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current resources. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

#### Critical accounting estimates and judgements

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

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

- Revenue recognition

The key area where management have to make estimates in order to determine the revenue to be recognised is in respect of rental, service and maintenance contracts where revenue is recognised on a straight line basis over the life of the contract. The future income to be recognised on maintenance contracts was £211k at 31 December 2014 (2013: £261k). Further details of estimates of when this income will be recognised are contained in note 15. The potential impact on profitability in the next 12 months could be in the range of plus or minus 10% of the gross value.

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 1 Accounting Policies (continued)

- Warranty provisions

The performance of products is warranted against clearly defined performance specifications established by reference to the technical and development testing carried out at the manufacturing facility. The estimated cost of the work to be performed under warranty on items sold by the Group would be provided for if management were aware of any field issues that needed rectification. At 31 December 2014 no provision is needed (2013: £nil) and management are not aware of any field issues that would require a provision to be made.

- Allowances against the valuation of inventories

Where stock has become obsolete or is slow moving a provision is made to write the value of stock down to management's estimate of net realisable value. Slow moving stock is identified by reference to historic usage and sales projections. When products are made obsolete, the appropriate components and sub-components are identified at the time and are fully provided against.

- Deferred taxation

Note 7 Taxation explains the potential deferred tax assets which have not been recognised due to the uncertainty and on-going tax losses.

### **New standards, amendments and interpretations adopted by the group and company**

The following standards, none of which have a material impact on Inditherm plc have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014:

IFRS 10: 'Consolidated financial statements'

IFRS 11: 'Joint Ventures'

IFRS 12: 'Disclosure of interests in other entities'

IAS 27 (revised 2011): 'Separate financial statements'

IAS 28 (revised 2011): 'Associates and joint ventures'

Amendment to IAS 32: 'Financial instruments: Presentation'

Amendments to IAS 36: 'Impairment of assets'

Amendment to IAS 39: 'Financial instruments: Recognition and measurement'

### **New standards, amendments and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of Inditherm plc, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 1 Accounting Policies (continued)

### New standards, amendments and interpretations not yet adopted (continued)

between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. Inditherm plc is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. Inditherm plc is assessing the impact of IFRS 15.

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.

During 2013 the Group was appointed exclusive distributor in the UK and Ireland for the ATOM product range. The same revenue recognition policy applies to the sale of Atom goods. The Group is considered the principal in this arrangement as it has primary responsibility for the product delivery and installation, it bears the risk of ownership of the inventory after purchasing from Atom, it sets the prices thereby taking on the price risk, and it bears the credit risk once they have sold to the customer.

The revenue on medical rental, service or maintenance contracts is assessed at the commencement of the contract and provided the outcome of the contract can be assessed with reasonable certainty, the income is recognised over the life of the contract on a straight-line time apportioned basis. Provisions for costs are charged to the income statement when incurred. Due to uncertainty, no provision is made for future costs on these contracts. Provision is made in full for any losses as soon as they can be foreseen. Any provisions for foreseeable losses in excess of contract balances are included in current liabilities.

### Exceptional items

Exceptional items are items that are material either because of their size or their nature, or that are non-recurring.

### Employee benefits

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

### Share-based incentives

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 Consolidated Statement of Comprehensive Income 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 2014 *(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 Consolidated 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 they are 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 3 years from the point the products are launched to market. The capitalised values are reviewed against the discounted future economic value, and adjusted as appropriate, at each balance sheet date.

### Leases

Payments made under operating leases, net of any incentives received from the lessor, are charged to the Consolidated Statement of Comprehensive Income 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 Consolidated 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. Monetary assets and liabilities are translated at exchange rates ruling at the end of each financial period. Gains and losses on retranslation are recognised in the Consolidated Statement of Comprehensive Income.

### Property, plant and equipment

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 assets residual values and useful economic lives are reviewed, and adjusted as appropriate, at each balance sheet date. The following rates apply:

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

### Intangible assets

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

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

### Impairment of non – financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered 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 2014 *(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 timescale taxable profit will be available against which the temporary differences can be utilised.

#### Inventories

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

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

#### Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost 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.

#### Trade payables

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

#### Grants

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

#### Provisions

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

#### Share capital

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

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 2 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 Board of Directors.

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

### Medical

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

Patient warming products offer significant benefits in operating theatres and recovery. This range achieved formal guidance from NICE in August 2011 (NICE Medical Technology Guidance 7).

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 focused 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 2013 Inditherm plc announced that they had been appointed the exclusive distributor in the UK and Ireland for the ATOM product range which includes incubators, transport incubators, infant warmers, resuscitation units, and phototherapy lamps.

### Industrial

The company currently focuses its attention on standard products for heating containers such as industry standard IBCs and drums as well as the warming of gas bottles.

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 (continued)

## 2 Segmental analysis (continued)

### Central and Unallocated costs (Central costs)

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

Segmental information for the year ended 31 December 2014 and 2013 is as follows:

2014	Industrial Standard Product £000's	Medical £000's	Central and Unallocated costs £000's	Total £000's
Orders	152	1,571	–	1,723
Revenue	150	1,697	–	1,847
Operating profit/(loss)	29	305	(733)	(399)
Analysed as:				
Before exceptional items	29	305	(690)	(356)
Exceptional items	–	–	(43)	(43)
	29	305	(733)	(399)
Trade receivables	11	218	–	229

2013	Industrial Standard Product £000's	Medical £000's	Central and Unallocated costs £000's	Total £000's
Orders	202	2,005	–	2,207
Revenue	193	1,869	–	2,062
Operating profit/(loss)	36	556	(691)	(99)
Trade receivables	19	297	–	316

### Geographical analysis of revenue

	2014 £000's	2013 £000's
UK	977	1,249
Europe	250	238
Asia Pacific	509	291
Middle East and Africa	51	197
Americas	60	87
Total	1,847	2,062

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

	2014 £000's	2013 £000's
Operating loss	(399)	(99)
Finance income	4	6
Taxation credit	20	16
Loss for the year attributable to the owners of the parent company	(375)	(77)

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 2 Segmental analysis (continued)

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

	2014 £000's	2013 £000's
Trade receivables (note 13)	229	316
Prepayments and accrued income	48	33
Other taxes and social security	7	–
Intangible assets	3	4
Property, plant and equipment	36	44
Inventories	189	219
Current tax asset	36	28
Cash and cash equivalents	1,165	1,635
Trade and other payables	(220)	(368)
Deferred income	(211)	(261)
Net assets	1,282	1,650

## 3 Employees

Group	2014 £000's	2013 £000's
Aggregate employee costs are as follows:		
Wages and salaries	761	739
Sales commissions	26	84
Social security costs	81	88
Other benefits	27	29
Pension costs – defined contribution schemes	17	19
Share based payment	7	7
<b>Total</b>	<b>919</b>	<b>966</b>

Employee costs including the costs of the executive directors but not the non-executive directors.

Monthly average number of persons employed (including executive directors):

	2014 Number	2013 Number
Management and Administration	4	4
Medical Sales and Service	10	9
Industrial Sales	1	1
Development and Quality	2	2
Production	9	9
<b>Total</b>	<b>26</b>	<b>25</b>

### Directors' emoluments

The emoluments of the directors of the Company are:

	2014 £'000	2013 £'000
Aggregate emoluments	288	285
Contributions to defined contribution pension scheme	10	10
	<b>298</b>	<b>295</b>

The emoluments of the highest paid director were £126k (2013: £123k). Contributions to pension arrangements for the highest paid director were £5k (2013: £5k)

No directors exercised share options during the year (2013: none).

In addition, John Markham received £8k (2013: £1k) under the terms of his Consulting agreement details of which are disclosed in the Statement of Corporate Governance and Remuneration Report.

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 4 Operating loss

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

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Depreciation of property, plant and equipment - owned assets	<b>18</b>	16
Amortisation of intangible fixed assets	<b>4</b>	19
Property lease payments	<b>71</b>	71
Other operating leases	<b>29</b>	36
Grant income	<b>(4)</b>	(4)
<b>Auditors' remuneration</b>		
For audit services – statutory	<b>27</b>	26
For non-audit services – tax fees	<b>3</b>	3
Total – Auditors' remuneration	<b>30</b>	29

## 5 Exceptional items

Items that are material either because of their size or their nature, or that are nonrecurring are considered as exceptional items and are presented within the line items to which they best relate. During the year, costs of £32,000 (2013: £nil), have been incurred relating to costs relating to reviewing strategic options and £11,000 (2013: £nil) relating to the additional costs of external resources to ensure an orderly handover of the work in the technical department after the departure of Neil Hollingworth in January 2014. The exceptional items have been included in overheads in the Consolidated Statement of Comprehensive Income.

## 6 Finance income

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Bank interest receivable	<b>4</b>	6

## 7 Taxation

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

	<b>2014</b>	2013
	<b>£'000</b>	£'000
<i>Current tax:</i>		
UK corporation tax credit – Current year	<b>18</b>	16
– Prior year adjustment	<b>2</b>	–
	<b>20</b>	16

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 7 Taxation (continued)

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

The tax assessed for the year is explained below:

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation	(395)	(93)
Loss on ordinary activities multiplied by expected rate of Corporation tax of 20% (2013: 20%)	(79)	(19)
Effects of:		
Expenses not deductible for tax purposes	3	2
Depreciation and amortisation in excess of capital allowances not recognised as deferred tax asset	(4)	(6)
Loss utilised on research and development claim	16	14
Trading losses for which no deferred tax has been recognised	62	9
Prior year adjustment	2	–
Research and development tax credit - current year	18	16
Research and development tax credit - prior year	2	–
Total tax credit	20	16

The research and development tax credit is effectively at an enhanced rate to the expenditure at the expected rate of corporation tax of 20% (2013: 20%).

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

The group has tax losses estimated at £7,364k (2013: £7,241k) available for relief against future trading profits.

### Deferred taxation

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

	2014 £'000	2013 £'000
Accelerated capital allowances and other timing differences	68	66
Losses	1,472	1,448
	1,540	1,514

Note that the effective future tax rate is 20% (2013: 20%).

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 8 Loss per share

The calculation of loss per ordinary share is based on a weighted average 51,112,581 (2013: 51,112,581) ordinary shares in issue during the year. The share options are anti-dilutive due to the loss in the year, and have therefore been excluded.

The loss per share for the total Inditherm Group attributable to owners of the parent company is based on the loss for the year attributable to owners of the parent company of £375k (2013: £77k).

## 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 2013	234	202	10	446
Additions	–	37	–	37
Disposals	–	(54)	–	(54)
31 December 2013	234	185	10	429
Additions	3	7	–	10
<b>31 December 2014</b>	<b>237</b>	<b>192</b>	<b>10</b>	<b>439</b>
<b>Accumulated depreciation</b>				
1 January 2013	230	183	10	423
Depreciation charge	2	14	–	16
Disposals	–	(54)	–	(54)
31 December 2013	232	143	10	385
Depreciation charge	1	17	–	18
<b>31 December 2014</b>	<b>233</b>	<b>160</b>	<b>10</b>	<b>403</b>
<b>Net book amount</b>				
<b>31 December 2014</b>	<b>4</b>	<b>32</b>	<b>–</b>	<b>36</b>
31 December 2013	2	42	–	44
1 January 2013	4	19	–	23

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

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 10 Intangible assets

Group	Intellectual property rights £'000	Product development costs £'000	Total £'000
<b>Cost</b>			
1 January 2013	136	126	262
31 December 2013	136	126	262
Capitalised development costs	-	3	3
<b>31 December 2014</b>	<b>136</b>	<b>129</b>	<b>265</b>
<b>Accumulated amortisation and impairment</b>			
1 January 2013	136	103	239
Amortisation charge	-	19	19
31 December 2013	136	122	258
Amortisation charge	-	4	4
<b>31 December 2014</b>	<b>136</b>	<b>126</b>	<b>262</b>
<b>Net book amount</b>			
<b>31 December 2014</b>	<b>-</b>	<b>3</b>	<b>3</b>
31 December 2013	-	4	4
1 January 2013	-	23	23

Product development costs will be fully amortised within three years.

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

Amortisation of intangible assets is included within Cost of Sales within the Consolidated Statement of Comprehensive Income.

## 11 Investments in subsidiaries – Company

Investment in subsidiaries at cost:	£
At 1 January 2014 and <b>31 December 2014</b>	<b>104</b>

Provisions of £104 have been made against the investment (2013: £104).

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

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

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 (continued)

## 12 Inventories

<b>Group and Company</b>	<b>2014</b>	2013
	<b>£'000</b>	£'000
Raw materials	<b>134</b>	174
Work in progress	<b>3</b>	1
Finished Goods	<b>52</b>	44
	<b>189</b>	219

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

The amount charged to the Consolidated Statement of Comprehensive Income in respect of the writing down of inventories was £39k (2013: credit of £1k). The amount credited to the Statement of Comprehensive Income in respect of reversals of write-downs was £27k (2013: £1k). The cost of inventories recognised as an expense and included within cost of sales was £548k (2013: £516k).

## 13 Trade and other receivables

<b>Group and Company</b>	<b>2014</b>	2013
	<b>£'000</b>	£'000
Trade receivables	<b>229</b>	316
Other taxes and social security	<b>7</b>	–
Prepayments and accrued income	<b>48</b>	33
	<b>284</b>	349

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.

There are no provisions for doubtful debt (2013: £nil).

At 31 December 2014 trade receivables of £nil (2013: £nil) were impaired. The amount of provision was £nil (2013: £nil).

At 31 December 2014 trade receivables of £78k (2013: £139k) 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 or have been paid since the year end. The ageing of these receivables is as follows:

<b>Group and Company</b>	<b>2014</b>	2013
	<b>£'000</b>	£'000
Up to three months	<b>75</b>	97
Between four and twelve months	<b>3</b>	42
	<b>78</b>	139

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 13 Trade and other receivables (continued)

The carrying value of receivables that would have been past due or impaired, but whose terms have been renegotiated is £nil (2013: £nil).

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

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

The Company's receivable due from subsidiaries of £903k (2013: £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>2014</b>	2013
	<b>£'000</b>	£'000
Pounds sterling	<b>266</b>	329
Euro	<b>8</b>	12
US Dollars	<b>10</b>	8
	<b>284</b>	349

## 14 Trade and other payables:

<b>Group and Company</b>	<b>2014</b>	2013
	<b>£'000</b>	£'000
Trade payables	<b>109</b>	182
Other payables	<b>3</b>	4
Other taxes and social security	<b>25</b>	43
Accruals	<b>83</b>	139
	<b>220</b>	368

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.

## 15 Deferred Income

Deferred income arises on medical rental, service or maintenance contracts and the accounting policy is explained in note 1.

The profile of when this income will be recognised in the Consolidated Statement of Comprehensive Income is as follows:

<b>Deferred income</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 3 years</b>	<b>3 to 4 years</b>	<b>4 to 5 years</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>2014</b>	<b>87</b>	<b>53</b>	<b>50</b>	<b>18</b>	<b>3</b>	<b>211</b>
2013	85	55	50	50	21	261

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 (continued)

## 16 Financial risk management and financial instruments

The Group's principal financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. The main purpose of these financial instruments is to finance the Group's operations.

Other financial assets and liabilities	As at December 2014	
	Book value £'000	Fair value £'000
<b>Assets</b>		
<b>Cash and cash equivalents</b>	<b>1,165</b>	<b>1,165</b>
<b>Trade and other receivables</b>	<b>229</b>	<b>229</b>
<b>Liabilities</b>		
<b>Trade and other payables</b>	<b>195</b>	<b>195</b>

Other financial assets and liabilities	As at December 2013	
	Book value £'000	Fair value £'000
<b>Assets</b>		
Cash and cash equivalents	1,635	1,635
Trade and other receivables	316	316
<b>Liabilities</b>		
Trade and other payables	325	325

For financial assets and liabilities, which are all short term in nature, the carrying value approximates to fair value.

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 the group's financial and other liabilities and cash and cash equivalents is as follows:

2014	Under 3 months £'000	4 to 12 months £'000	Greater than 12 months £'000	Total £'000
<b>Financial and other liabilities</b>	<b>(220)</b>	<b>-</b>	<b>-</b>	<b>(220)</b>
<b>Cash and cash equivalents</b>	<b>1,165</b>	<b>-</b>	<b>-</b>	<b>1,165</b>
2013	Under 3 months £'000	4 to 12 months £'000	Greater than 12 months £'000	Total £'000
Financial and other liabilities	(368)	-	-	(368)
Cash and cash equivalents	1,635	-	-	1,635

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## 16 Financial risk management and financial instruments (continued)

### *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 (where available), 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 A or better for Long term investments and A1 for Short term investments. The Board keeps this situation under review in light of new developments.

### *Interest rate risk*

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

### *Foreign currency risk*

It is recognised that the Company has a growing exposure to the foreign currency risks as export levels rise and it is appropriate to use spot and forward foreign exchange contracts, as part of its strategy for foreign currency risk management, to protect the value of the trading margins and cash flow. At the year end the exposures in the balance sheet amount to £29k (2013: £54k).

## 17 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.

## 18 Share capital

	2014 Number	2014 £'000	2013 Number	2013 £'000
<b>Issued, called up and fully paid</b>				
Ordinary shares of 1p each	51,112,581	511	51,112,581	511
<b>Authorised share capital</b>				
Ordinary shares of 1p each	78,000,000	780	78,000,000	780
Preference shares of £1 each	220,000	220	220,000	220
		<b>1,000</b>		1,000

## 19 Commitments under operating leases

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

Group and company	Land and buildings		Other	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Within one year	71	71	23	26
In the second to fifth years inclusive	72	143	35	34
After five years	-	-	-	-
	<b>143</b>	214	<b>58</b>	60

# Notes forming part of the Financial Statements

## for the year ended 31 December 2014 *(continued)*

### 20 Contingent liabilities

Included within cash and cash equivalents is a deposit for £250,000 (2013: £250,000) that is used as collateral for bank facilities provided by HSBC Bank plc. Bank facilities provided by HSBC Bank plc include a bank guarantee issued to Highbridge (Houndhill) Industries Limited for £142,920, being a rolling two year 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 an All Employee Break-even Bonus Scheme, for all employees (excluding Directors) that were in the Company's employment at that time, to reward loyalty and encourage on-going commitment to the Company. In recognition of their contribution to achieving break-even in a half year accounting period, five (2013: six) employees will receive a total of £23k, which together with Employers National Insurance would cost £26k (2013: £32k) had the conditions been fulfilled at 31 December 2014. The break-even condition is calculated after bearing a charge for the costs of the bonus.

Under the terms of the Unilateral Concession arrangement between Mr. Bettles and the Company, the total salary forgone to the end of the arrangement on 30 April 2012 was £17k. Had the profit performance criteria been achieved at 31 December 2014, the value of the concessionary payment (including Employers National Insurance) would have been £47k. For the bonus payment to pay out the profit criteria is after bearing a charge for the cost of the concessionary bonus arrangement and the All Employee Break-even Bonus Scheme.

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

### 21 Share-based payments

In January 2012 1,425,000 share options with a strike price of 5p were issued to executive directors and a senior manager. The fair value of the share options granted was determined by the Black-Scholes pricing model at £21k and is being 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.

On 31 January 2014 the senior manager left the company upon emigrating to Australia and his 175,000 share options were cancelled and the fair value of the outstanding period of the share options was assessed on the same basis as the original calculation.

The number of share options that are in issue at 31 December 2014 is 1,850,000 (31 Dec 2013: 2,521,907), of which 600,000 (31 Dec 2013: 1,096,907) are exercisable at 31 December 2014. A further 1,250,000 share options became exercisable on 19 January 2015. The exercisable share options have strike prices of between 5p and 10p, with a weighted average exercise price of 6.6p (2013: 45.4p).

The weighted average contractual life of all outstanding share options on 31 December 2014 is 5.9 years (31 Dec 2013: 2.7 years).

The expense recognised in the year from equity settled share based payments was £7k (2013: £7k).

There were no cash settled share based payment transactions.

# Notes forming part of the Financial Statements

for the year ended 31 December 2014 *(continued)*

## **22 Related party transactions**

### *Key management*

Key management comprise the group's executive and non-executive directors. Remuneration of executive and non-executive directors is set out in note 3 and the Remuneration Report on page 10. In the Remuneration Report there are details of payments made to J H Markham in his capacity as a consultant to the Company, 2014: £8k (2013: £1k).

There were no other transactions with key management.

### *Company – transactions with subsidiaries*

Royalties amounting to £nil (2013: £nil) were payable by Inditherm plc to its subsidiary Inditherm (Medical) Limited in relation to the use of intellectual property.

Amounts due from Inditherm (Medical) Limited at 31 December 2014 of £903k (2013: £903k) have been provided for in full.

## Other Shareholder Information

### SHAREHOLDER ENQUIRIES

Shareholder enquiries should be directed to the Company's registrars, Capita Asset Services, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (telephone 0871 664 0300 - calls cost 10p per minute plus network extras; lines are open 8.30am to 5.30pm, Monday - Friday; email [shareholderenquiries@capita.co.uk](mailto:shareholderenquiries@capita.co.uk)).

### FINANCIAL DIARY

Dates for the announcement of 2015 interim results and 2015 annual results will be released in due course.

### CAPITA ASSET SERVICES

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

#### Registrar's On-Line Service

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

#### Share Dealing Services

Capita offers an on-line and telephone share dealing service which is available by logging on to [www.capitadeal.com](http://www.capitadeal.com) or telephoning 0871 664 0346 (calls cost 10p per minute plus network extras; lines are open 8am to 4.30pm, Monday - Friday). For the on-line service, Capita's commission rates are 1.25% of the value of the deal (minimum £30.50, maximum £150.50) and for the telephone service, Capita's commission rates are 1.50% of the value of the deal (minimum £40.50, maximum £195.50).

#### 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 2015 Annual General Meeting of the Company will be held at the offices of Eversheds LLP, Bridgewater Place, Water Lane, Leeds LS11 5DR United Kingdom on Thursday 11 June 2015 at 12.00 pm for the following purposes:

## ORDINARY BUSINESS

1. To receive and adopt the financial statements of the Company for the year ended 31 December 2014 together with the Report of the directors and the Independent Auditors' Report.
2. To reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting of the Company at which financial statements are laid before the members and to authorise the directors to determine their remuneration.
3. To re-appoint Mr Nick Bettles, retiring by rotation, as director in accordance with the provisions of the Articles of Association.

## SPECIAL BUSINESS

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

4. That the board of directors be generally and unconditionally authorised (in substitution for all existing authorities to the extent unused) pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company, 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 the passing of this Resolution. Nevertheless the Company may, before the expiry of the authority conferred hereby, make an offer or agreement which would or might require such shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the expiry of the authority conferred hereby and the directors may allot the shares and grant rights to subscribe or convert securities into shares, in pursuance of such offer or agreement, as if the authority conferred hereby had not expired.
5. That, subject to the passing of Resolution 4 above, the board of directors of the Company be empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred by Resolution 4 as set out in this Notice of Annual General Meeting as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £25,000. Such power shall expire on the conclusion of the next annual general meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the board may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.
6. That the Company be generally and unconditionally authorised pursuant to Article 8(A) of the Articles of Association of the Company and pursuant to section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of up to 5,110,000 ordinary shares of £0.01 each in the capital of the Company (being approximately 10 per cent. of the current issued ordinary share capital of the Company) on such terms and in such manner as the directors of the Company may from time to time determine, provided that:
  - (a) the amount paid for each share (exclusive of expenses) shall not be more than the higher of (1) the middle market quotation for ordinary shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange for the five business days before the date on which the contract for the purchase is made, and (2) an amount equal to the higher of the price of the last independent trade and current independent bid as derived from the trading venue or lower than £0.01 per ordinary share; and

# Notice of Annual General Meeting

continued

- (b) the authority herein contained shall 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 the passing of this Resolution provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred had not expired.

**By Order of the Board**

ID Smith  
Company secretary  
28 April 2015

**Registered Office:**

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

# Notice of Annual General Meeting

continued

## NOTES:

1. Members entitled to attend and vote at the Annual General Meeting are entitled to appoint one or more proxies to attend and, upon a poll, vote in their place. A proxy need not be a member of the Company. To appoint more than one proxy you may photocopy the Proxy Form. Please indicate next to the proxy holder's name, the number of shares in relation to which you authorise them to act as your proxy and complete all voting instructions. Please also indicate by ticking the box provided if the proxy is one of multiple instructions being given. All such Proxy Forms should be returned together in the same envelope.
2. To be valid the 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 Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 12.00pm on 9 June 2015. Completion and return of proxy forms will not preclude shareholders from attending and voting at the Annual General 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 Proxy Form must be given under its common seal, or signed by two directors or by a director and the secretary, or signed on its behalf by an attorney or a duly authorised officer of the corporation.
5. In the case of joint holders, any one of them may sign but the names of all joint holders should be stated. The vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined.
6. The withheld option on the Proxy Form is provided to enable you to abstain on any particular resolution. However, a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.
7. Corporate representatives must make themselves known before the start of the Annual General Meeting.
8. The CREST electronic proxy appointment service is available for this Annual General Meeting. To use this service CREST members should transmit a CREST proxy instruction so as to reach Capita Asset Services, CREST participant ID RA10, by not later than 12.00pm on 9 June 2015 or in the case of any adjournment no later than 48 hours before the time fixed for the adjourned meeting.
9. In accordance with regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than close of business on 9 June 2015 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.



Headquarters and Registered Office:

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

Telephone: +44 (0) 1709 761000

Fax: +44 (0) 1709 761066

e-mail: [sales@indithermplc.com](mailto:sales@indithermplc.com)

website: [www.inditherm.com](http://www.inditherm.com)