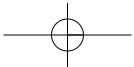
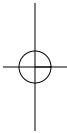
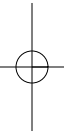




**Interim Report  
for the six months ended  
30 June 2010**



# INDITHERM plc

## Chairman's Statement

### Introduction

The first half of 2010 has seen a significant increase in both orders and sales compared with the same period last year. Whilst the Medical business has returned to historic growth rates following a difficult year in 2009, progress in the Industrial business has been modest.

### Financial Review

Turnover increased by 75% to £972k (2009: £555k). Orders for Medical products showed an underlying growth rate of over 70% with good first quarter performance, boosted by two large orders. Orders from the non-medical sectors of the business remained flat compared to the same period last year and the Industrial sales were boosted by large orders received in 2009 and delivered this year. Delayed decision making as a result of the recession continued in the Industrial sectors.

Overheads were reduced to £731k (2009: £826k) following the restructuring of the Industrial business in 2009. This, combined with the improvement in trading in the Medical sector, delivered a reduction in pre-tax operating loss before exceptional items of over 75% to £136k (2009: loss £584k), resulting in a loss per share of 0.3 pence (2009: loss 1.2 pence).

The cash consumption from operating and investing activities was much reduced at £74k (2009: £529k), giving a net cash and cash equivalents balance of £2,018k in hand at the half year.

### Operational Review:

Our Medical business has shown encouraging growth in the first half of the year, both in the UK and export markets. There remains uncertainty in relation to healthcare spending on capital equipment in the current economic climate, particularly in the NHS, albeit that our product offers health providers substantial cost savings. It is too early to tell with certainty if the recent growth rates can be sustained. Nevertheless, the cost benefit proposition Inditherm offers in the operating theatre market should place us well to succeed, and prospects have continued to grow in this area during the first half of 2010. The neonatal market is more susceptible to pressure on funding; consequently orders for this area are only slightly ahead of the same period last year.

We still consider the US medical sector to be important, but progress remains slow and we continue to support our US distributors. Whilst our US sales have been lumpy our distributors there have sold over 80 units into the end user market. We have continued to grow our other export markets and have further expanded our distributor network during 2010, particularly in the Middle and Far East.

As already highlighted, the level of Industrial orders has suffered further from protracted decision making and delays in customer projects. Sales for this part of the business in the first half of 2010 have benefitted from large orders secured at the end of 2009, showing growth of over 50% on the same period last year. However orders for the Industrial segment are only 3% up on the same period last year and there is no sign yet of any upturn in market conditions.

The business continues to direct its resources and focus on accelerating the growth of the Medical sector. The Board believe that this is the best use of available resources.

# **INDITHERM** plc

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## **Outlook**

In accordance with the normal seasonal pattern, trading slowed during the summer months, but we do not believe that this necessarily reflects any underlying change in market conditions.

We believe that, in the current economic circumstances, the best likelihood of success will be if the business focuses only on Medical sectors. The Industrial activities consume valuable and limited resources and increase risk. The Board has decided to exit the process solutions part of the Industrial business, whilst retaining the key aspects of our intellectual property rights. The Medical business on this basis is better positioned to reach break-even with our current resources. The Board is evaluating other options to maximise shareholder value.

**MARK ABRAHAMS**

**Chairman**

23 September 2010

## Unaudited consolidated income statement

For the six months ended 30 June 2010

	Notes	6 months ended 30 June 2010 £'000	6 months ended 30 June 2009 £'000	Year ended 31 December 2009 £'000
<b>Turnover</b>		972	555	1,152
Cost of sales		(422)	(386)	(676)
<b>Gross profit</b>		550	169	476
Administrative expenses		(731)	(826)	(1,624)
Operating loss before exceptional items		(136)	(584)	(1,039)
Exceptional costs	1	(45)	(73)	(109)
<b>Operating loss</b>		(181)	(657)	(1,148)
Finance income		4	22	27
<b>Loss on ordinary activities before taxation</b>		(177)	(635)	(1,121)
Taxation credit from loss on ordinary activities	2	1	-	39
<b>Loss for the period attributable to equity shareholders</b>		(176)	(635)	(1,082)
<b>Loss per share – basic and diluted</b>	3	(0.3)p	(1.2)p	(2.1)p

All recognised gains and losses are included in the income statement.

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

**INDITHERM** plc**Unaudited consolidated balance sheet**

As at 30 June 2010

	<b>6 months ended 30 June 2010 £'000</b>	<b>6 months ended 30 June 2009 £'000</b>	<b>Audited Year ended 31 December 2009 £'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	39	67	52
Intangible assets	84	83	95
	<u>123</u>	<u>150</u>	<u>147</u>
<b>Current assets</b>			
Inventories	100	129	144
Trade and other receivables	286	202	265
Tax receivable	39	40	79
Cash and cash equivalents	2,018	2,586	2,092
	<u>2,443</u>	<u>2,957</u>	<u>2,580</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(269)	(188)	(249)
<b>Net current assets</b>	<u>2,174</u>	<u>2,769</u>	<u>2,331</u>
<b>Non-current liabilities</b>			
Provisions	-	(5)	(5)
<b>Net assets</b>	<u>2,297</u>	<u>2,914</u>	<u>2,473</u>
<b>Shareholders' equity</b>			
Called up share capital	511	511	511
Share premium account	9,929	9,929	9,929
Share based payment reserve	134	128	134
Retained earnings	(8,277)	(7,654)	(8,101)
<b>Total equity</b>	<u>2,297</u>	<u>2,914</u>	<u>2,473</u>

## Unaudited consolidated cash flow statement

For the six months ended 30 June 2010

		6 months ended 30 June 2010 £'000	6 months ended 30 June 2009 £'000	Audited Year ended 31 December 2009 £'000
	Notes			
<b>Cash flow from operating activities</b>				
Cash used in operations	4	(115)	(533)	(1,009)
Interest received		4	22	27
Taxation		41	-	-
		<u>(70)</u>	<u>(511)</u>	<u>(982)</u>
<b>Net cash outflow from operating activities</b>				
Cash flow from Investing activities				
Purchase of property, plant and equipment		(4)	(18)	(4)
Capitalised development costs		-	-	(40)
Sale of property, plant and equipment		-	-	3
		<u>(4)</u>	<u>(18)</u>	<u>(41)</u>
<b>Net cash used in investing activities</b>				
<b>Net decrease in cash and cash equivalents</b>		<u>(74)</u>	<u>(529)</u>	<u>(1,023)</u>
Cash and cash equivalents at the beginning of the period		<u>2,092</u>	<u>3,115</u>	<u>3,115</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>2,018</u>	<u>2,586</u>	<u>2,092</u>

**INDITHERM** plc**Unaudited consolidated statement of changes in shareholder equity**

For the six months ended 30 June 2010

	<b>6 months ended 30 June 2010 £'000</b>	<b>6 months ended 30 June 2009 £'000</b>	<b>Audited Year ended 31 December 2009 £'000</b>
Opening shareholders' equity	2,473	3,543	3,543
(Loss) for the period	(176)	(635)	(1,082)
Share based payments	-	6	12
<b>Closing shareholders' equity</b>	<b>2,297</b>	<b>2,914</b>	<b>2,473</b>



## Notes to the interim report

### 1. Exceptional costs

Included in cost of sales is a provision for £40,000 against inventories and £5,000 against fixed assets of the Industrial segment of the business. The provision reflects an adjustment to the carrying value of assets to reflect the impairment as a result of the intention to exit the Industrial business.

### 2. Taxation

No corporation tax has been provided for in the period due to the projected result for the period not exceeding the losses brought forward.

Deferred tax assets arising from accelerated capital allowances and trading losses have not been recognised on the basis that their future economic benefit is uncertain.

During the period a research and development tax refund was received in respect of the year ended 31 December 2008 at £41,000. The value carried in the 31 December 2009 balance sheet for this was £40,000.

### 3. Loss per share

The calculation of loss per ordinary share is based on a loss of £176,000 (30 June 2009: loss £635,000, 31 December 2009: loss £1,082,000) and on a weighted average number of shares of 51,112,581 in issue for the period.

The outstanding share options are currently anti-dilutive.

### 4. Reconciliation of operating loss to net cash outflow from operating activities:

	<b>6 months ended 30 June 2010 £'000</b>	<b>6 months ended 30 June 2009 £'000</b>	<b>Audited Year ended 31 December 2009 £'000</b>
Operating loss	(181)	(657)	(1,148)
Profit on disposal of property, plant and equipment	–	–	(3)
Depreciation and amortisation	23	35	64
Exceptional write down of inventories	40	51	51
Exceptional write down of fixed assets	5	22	22
Write off of intangible assets	–	18	18
Share based payments	–	6	12
Decrease/(Increase) in inventories	1 4	(5)	(20)
(Increase)/decrease in trade and other receivables	2 (21)	115	52
Increase/(decrease) in trade and other payables	3 20	(123)	(62)
(Decrease)/increase in provisions	(5)	5	5
Net cash outflow from operating activities	<u>(115)</u>	<u>(533)</u>	<u>(1,009)</u>

# **INDITHERM** plc

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## **Notes to the interim report (continued)**

### **5. Interim financial information**

The interim financial information for the period ended 30 June 2010 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2009 are extracted from the audited accounts for that period. The company's annual report and financial statements for the year ended 31 December 2009 which were prepared under International Financial Reporting Standards (IFRS) in accordance with the Companies Act 2006 have been delivered to the Registrar of Companies with an unqualified audit report. The Interim accounts for the six months ended 30 June 2009 are also unaudited and were approved by the Board of Directors on 24 September 2009. Copies of the announcement will be sent to shareholders and are available to members of the general public from the Company Secretary, Inditherm plc, Inditherm House, Houndhill Park, Bolton Road, Wath upon Dearne S63 7LG or via the Company website at [www.indithermplc.com](http://www.indithermplc.com).

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## Financial Calendar

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

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