INDITHERM plc

Interim Report
for the six months ended
30 June 2011

Chairman's Statement

Introduction

The first half of 2011 has seen a continued improvement in revenue from continuing operations over the same period last year. Costs have been contained and the loss on continuing operations for the period has been significantly reduced compared with the same period last year. The elimination of losses associated with the Industrial Process Solutions business, following its disposal last year, has also contributed to the overall improvement.

Financial Review

Revenue from continuing operations increased by 10% to £817k (2010: £740k). At the end of August 2011 orders showed an underlying growth rate for the year of 17% for medical products and 38% from the non-medical sectors of the business. The performance of our Medical business in the UK has been impacted by delays in decision making resulting from financial uncertainty in the National Health Service (NHS). We believe this situation will be offset by the recent guidance from the National Institute for Health and Clinical Excellence (NICE) which we announced on 31 August 2011.

Overheads for continuing operations were reduced to £593k (2010: £601k) assisted by the directors' concessions on remuneration reported in the 2010 Annual Report, which are still in place. This combined with the improvement in trading delivered a reduction in pre-tax loss for continuing operations of over 40% to £74k (2010: loss £124k), resulting in a loss per share of 0.1 pence (2010: loss 0.2 pence).

The cash consumption from operating and investing activities was £183k (2010: £74k), giving a net cash and cash equivalents balance of £1,518k in hand at the half year. The uneven trading pattern in the first half led to an increased level of working capital at the end of June 2011. This level has subsequently reduced, releasing cash after the half year.

Operational Review

Order intake for the Medical business in the first quarter of 2011 was disappointing and significantly down on prior year levels, but there was a noticeable improvement during the second quarter, which was 60% up on the same period last year and consequently we finished the first half with modest growth. We have continued to see order growth into the second half in excess of 30%.

There remains uncertainty and associated delays in decision-making in the NHS; however, the new NICE guidance shows strong support for Inditherm's operating theatre products in terms of both clinical efficacy and significant financial benefits. We anticipate that as the NICE guidance starts to take effect it will progressively stimulate uptake as it gets embraced into the NHS budgeting process. The Company has worked for a long time to achieve recognition from NICE; it is an important milestone and whilst it does not guarantee success it is highly encouraging for the future. Despite the adverse market conditions, we have continued to show sales growth in the neonatal sector, largely due to our strong market position in the UK and growth in export territories. Our full range of warming products have been accepted into the new NHS Supply Chain contract.

Chairman's Statement

Progress in the US medical sector has remained slow but has shown a modest improvement; this market offers potential up-side in the coming years, when we hope to be able to devote more resources to it. We have shifted our emphasis to our more focussed distributor, NovaMed, who are actively stimulating interest in the operating room market particularly, and Smiths Medical will no longer represent us in the USA. The Company believes that it remains important that the US market does not divert resources from our more immediate efforts to grow other export markets and we have further expanded our distributor network during 2011, particularly in South America.

Following the restructuring of the Industrial business in 2010, we now concentrate on the standard product offerings and good progress has been made year-on-year. We exited direct activity in the Process Solutions business area at the end of last year and first orders have now been received from our partners in this area, ADI Group. With the changed focus we now have an Industrial segment that is making a positive contribution.

Divestment of the resource-intensive industrial activities has allowed us to reduce overheads and we believe that our focus on the medical segment is the best route to achieve profitability.

Outlook

After a slow first quarter, we have seen an encouraging increase in order intake in quarters two and three compared with the same periods in 2010, albeit with an uneven order flow. Consequently, we believe that we can continue our growth. This renewed optimism is predicated on the recent NICE guidance in relation to our products which should stimulate faster growth in the UK medical market, linked to NHS budget cycles. However, we do recognise that the financial pressures currently facing the NHS give rise to more uncertain and erratic order patterns. Export orders continue to grow, as we benefit from our wider Medical distributor base and increasing market penetration.

Overall, despite the various factors impacting on our markets we continue to see an underlying growth in our Medical business.

The Company continues to direct its resources and focus on accelerating the growth of the Medical segment. The Board believe that this still gives the Company its best route to break-even.

MARK ABRAHAMS
Chairman

29 September 2011

Unaudited Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011

	Notes	**6 months ended 30 June 2011 £'000**	6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Revenue		**817**	740	1,324
Cost of sales		**(303)**	(267)	(519)
Gross profit		**514**	473	805
Administrative expenses		**(593)**	(601)	(1,222)
Operating loss		**(79)**	(128)	(417)
Finance income		**5**	4	8
Loss on ordinary activities before taxation		**(74)**	(124)	(409)
Taxation credit from loss on ordinary activities	3	**–**	1	27
Loss for the period on continuing activities		**(74)**	(123)	(382)
Loss for the period on discontinued activities	4	**–**	(53)	(106)
Loss and total comprehensive income for the period attributable to equity shareholders		**(74)**	(176)	(488)
Loss per share from continuing operations attributable to equity holders of the Company during the period – basic and diluted		**(0.1p)**	(0.2p)	(0.7p)
Loss per share from total Inditherm Group attributable to equity holders of the Company during the period – basic and diluted	5	**(0.1p)**	(0.3p)	(1.0p)

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

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

Unaudited Consolidated Balance Sheet
as at 30 June 2011

	6 months ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	**35**	39	45
Intangible assets	**67**	84	75
	102	123	120
Current assets			
Inventories	**183**	100	132
Trade and other receivables	**359**	286	238
Tax receivable	**25**	39	32
Cash and cash equivalents	**1,518**	2,018	1,701
	2,085	2,443	2,103
Liabilities			
Current liabilities			
Trade and other payables	**(276)**	(269)	(238)
Net current assets	**1,809**	2,174	1,865
Net assets	**1,911**	2,297	1,985
Shareholders' equity			
Called up share capital	**511**	511	511
Share premium account	**9,929**	9,929	9,929
Share based payment reserve	**134**	134	134
Retained earnings	**(8,663)**	(8,277)	(8,589)
Total equity	**1,911**	2,297	1,985

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 June 2011

Group	**6 months ended 30 June 2011 £'000**	6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Net operating loss for the period from continuing operations	**(79)**	(128)	(417)
Depreciation and amortisation	**32**	22	46
Increase in inventories	**(51)**	(3)	(35)
(Increase)/decrease in trade and other receivables	**(121)**	–	18
Increase/(decrease) in trade and other payables	**38**	(1)	(7)
Decrease in provisions	**–**	(5)	(5)
Interest received	**5**	4	8
Taxation received	**7**	41	74
Net cash outflow from operating activities			
– continuing operations	**(169)**	(70)	(318)
– discontinued operations	**–**	–	(49)
Cash flow from Investing activities continuing operations			
Purchase of property, plant and equipment	**(5)**	(4)	(21)
Capitalised development costs	**(9)**	–	(3)
Net cash used in investing activities			
– continuing operations	**(14)**	(4)	(24)
Net decrease in cash and cash equivalents	**(183)**	(74)	(391)
Cash and cash equivalents at the beginning of the period	**1,701**	2092	2,092
Cash and cash equivalents at the end of the period	**1,518**	2,018	1,701

Unaudited Consolidated Statement of Changes in Shareholder Equity

for the six months ended 30 June 2011

	6 months ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Opening shareholders' equity	**1,985**	2,473	2,473
Loss for the period	**(74)**	(176)	(488)
Share based payments	**–**	–	–
Closing shareholders' equity	**1,911**	2,297	1,985

Notes to the Interim Report

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with AIM rule 18 in relation to half year reports. The information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2. Going-concern basis

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

3. 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.

4. Continuing/Discontinued operations

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

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

The following analyses the result of the discontinued operations:

Notes to the Interim Report

continued

4. Continuing/Discontinued operations (continued)

	Continuing Operations		**Discontinued Operations**		**Total**	Total
	6 months ended 30 June 2010 £'000	Audited Year ended 31 Dec 2010 £'000	**6 months ended 30 June 2010 £'000**	Audited Year ended 31 Dec 2010 £'000	**6 months ended 30 June 2010 £'000**	Audited Year ended 31 Dec 2010 £'000
Revenue	**740**	1,324	**232**	324	**972**	1,648
Cost of sales	**(267)**	(519)	**(155)**	(227)	**(422)**	(746)
Gross profit	**473**	805	**77**	97	**550**	902
Administrative expenses	**(601)**	(1,222)	**(130)**	(203)	**(731)**	(1,425)
Operating loss	**(128)**	(417)	**(53)**	(106)	**(181)**	(523)
Finance income	**4**	8	**–**	–	**4**	8
Loss before taxation	**(124)**	(409)	**(53)**	(106)	**(177)**	(515)
Taxation credit from loss on ordinary activities	**1**	27	**–**	–	**1**	27
Total deficit for the year attributable to equity holders	**(123)**	(382)	**(53)**	(106)	**(176)**	(488)
Loss per share – basic and diluted	**(0.2p)**	(0.7p)	**(0.1p)**	(0.3p)	**(0.3p)**	(1.0p)

5. Profit/(loss) per share

The calculation of loss per ordinary share is based on a loss of £74,000 (30 June 2010: loss £176,000, 31 December 2010: loss £488,000) and on a weighted average number of shares in issue of 51,112,581 for the period, (30 June 2010: 51,112,581, 31 December 2010: 51,112,581). The outstanding share options are currently anti-dilutive.

6. Interim financial information

The interim financial information for the period ended 30 June 2011 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Interim accounts for the six months ended 30 June 2010 are also unaudited and were approved by the Board of Directors on 23 September 2010. The comparative figures for the financial year ended 31 December 2010 are extracted from the audited accounts for that period. The Company's annual report and financial statements for the year ended 31 December 2010 which were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing those statements. The annual report and financial statements have been delivered to the Registrar of Companies with an unqualified audit report.

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.

Financial Calendar

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

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