



INDITHERM *plc*

Annual Report &
Financial Statements
2013

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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.

Construction

In construction applications, Inditherm has developed solutions to accelerate concrete curing in conjunction with Sheffield Hallam University. Our technology can provide the benefit of improved cycle times, reduction in lost production, avoiding project delays and significant savings on energy and cement costs. Because of the recessionary climate, demand for products has been extremely weak and the Company is not actively marketing or selling into this sector at this stage. As building and civil engineering activity picks up this decision will be reviewed.

Directors and Advisers

Directors	MS Abrahams (Chairman) ND Bettles JH Markham ID Smith
Company secretary and registered office	ID Smith, Inditherm House, Houndhill Park, Bolton Road, Wath upon Dearne, Rotherham, S63 7LG
Company number	3587944
Independent auditors	PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Benson House, 33 Wellington Street, Leeds, LS1 4JP
Bankers	HSBC, Montgomery Road, Wath Upon Dearne, Rotherham, S63 7QW
Nominated adviser and broker	WH Ireland Limited, Royal House, 28 Sovereign Court, Leeds, LS1 4BJ
Legal advisers	Walker Morris, Kings Court, 12 King Steet, Leeds, LS1 2HL
Registrars	Capita Asset Services, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Strategic Report and Operating & Financial Review

Overview

As indicated in our Interim Report, the strong start to the year which reflected an overhang of orders from the previous year, settled back to an underlying flatter performance. This uneven order pattern has continued, particularly in the NHS. We believe that the apparent slowing of growth is caused in the UK by ever-tightening financial constraints, particularly with regard to capital expenditure in the NHS, rather than a dampening of enthusiasm for our products.

To offset this apparent growth pause, we took on distributorship of the ATOM neonatal product range. This has shown very promising early signs and enabled us to maintain an overall growth track. In the export markets a combination of economic circumstances, national healthcare priorities and some under-performing distributors led to flat year-on-year order performance. We have increased our resources and already implemented some changes to strengthen our overseas sales channels, and have already seen encouraging signs at the start of 2014.

The arrangement with ADI Group for the industrial process solutions sector has been discontinued, following the difficulty in gaining traction in those markets. As we had already decided not to pursue these markets directly it will not have any material impact on the business. We strengthened the sales resource for the standard products sector of our Industrial business towards the end of 2013 and this is showing signs of delivering improved performance. These activities continue to deliver a positive contribution without diverting our attention from the core medical business.

With increased turnover for the business, losses were reduced by 47%. Increased investment in sales resource offset the higher contribution margin to constrain profitability, as anticipated in the Interim Report.

We generated positive cashflow during the year.

Results

The turnover for the year increased by 23% to £2,062k (2012: £1,673k). Gross profit rose 21% to £1,163k (2012: £960k) in line with turnover, reflecting sustained operating margins.

Reflecting the strengthening of the sales force, overheads increased by 10% during the year, to £1,262k (2012: £1,146k), resulting in a nearly halved operating loss of £99k (2012 £186k). The post-tax loss was £77k (2012: £164k).

The year end cash and cash equivalents balance was £1,635k (2012: £1,578k), representing an inflow of £57k (2012: outflow £50k), reflecting improved trading, tight control of working capital and significant cashflow benefit from long-term support contracts.

Sales and Marketing:

Overall Medical revenue in 2013 grew by 30%, with sizeable orders placed in the first quarter of the year, some of which were delayed from 2012. Our successful launch as distributor for the ATOM product ranges in the UK market resulted in an 11% contribution to sales revenues during the year.

In the UK Medical sector our sales team delivered a substantial increase in order intake over the previous year, helped by the credibility that the recommendations from NICE (National Institute for Health & Care Excellence) have given us. Nevertheless the constraints on capital equipment costs within the NHS affect buying patterns and create delays in both decision-making and implementation of change. Despite this we managed to grow our UK order levels by 66% in 2013, excluding the additional revenues from the ATOM products, with neonatal orders holding steady despite the financial constraints and perioperative orders doubled. The increased orders included a significant level of extended warranty and maintenance contracts representing business that will translate into revenue in future periods. Even excluding the order overhang from 2012, the underlying year on year growth was around 45%.

Strategic Report and Operating & Financial Review

(continued)

A recent case study prepared with the Pennine Acute NHS Trust portrayed a very positive view on implementing Inditherm patient warming for the perioperative area seen from a practical perspective. We have also continued to work with NICE who are expected to publish a site demonstrator pack in April 2014, that is targeted to improve uptake of our perioperative patient warming technology into the NHS. With these and an increasing number of NHS hospitals using Inditherm for perioperative patient warming we expect confidence will grow, reducing the barriers to change.

We saw good progress from a number of our distributors during the year, underlining the potential for our export activities; however there were also some disappointing performances. We have taken action in these cases and this is starting to show promise of improving results. Product registration issues in a few countries hampered progress, but some of these are now resolved and others appear to be nearing a conclusion. We have increased our resource for export activities during the year and believe this will allow us to increase our focus in this area of the business and drive progress with our overseas distribution channels, although some degree of variability in business levels remains inevitable. We continue to strengthen and expand our distributor network and that process will continue into 2014.

In the USA we did see some signs of encouragement towards the end of the year, but it still remains unclear whether this will be sustained moving forward. We will therefore continue our efforts to identify and evaluate any options that would allow progress. This market offers potential future up-side to our medium term plans, but we will ensure that the allocation of resources is proportionate and does not therefore threaten our overall export growth.

During the year we were appointed as the exclusive distributor for the ATOM range of products in the UK & Ireland. ATOM is one of the top three global suppliers of neonatal incubators with a strong reputation. This strengthens our image in the neonatal market and provides a welcome additional revenue stream.

In our Industrial business, orders for our standard products grew by over 64% compared to the previous year, whilst ADI orders fell by a similar percentage. The ADI licence agreement has been terminated and we will consider alternative partners for this sector if any can be identified. This is not material to the short or medium term outlook.

We see an opportunity to continue growth of the standard heating jacket part of our Industrial business, which we believe will more than offset the loss of any process solutions revenue. Standard product sales which are under our direct control, provide a useful contribution and an opportunity for some growth. As a result we will continue to focus our Industrial sector efforts in the standard product area.

We have continued to pursue OEM opportunities during the year and the first of these has now resulted in an Inditherm patient warming mattress being incorporated in our partner's new resuscitation and radiant warming product that has a planned launch in 2014. The partner's product, in which the Inditherm is an optional item, has been previewed and received favourable comments. We have already received our first order for a pre-production batch, with a production call-off in 2014, totalling 50 units. Other OEM projects are still in the development phase with some of those appearing to make promising progress.

Product Development

We have continued to enhance our products during the year, expanding a number of our ranges and adding new features. Work with potential original equipment manufacturer partners ("OEM") has also been undertaken in order to help move some of those projects forward. 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.

Strategic Report and Operating & Financial Review

(continued)

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.

Key Performance Indicators and Principal risks and uncertainties

Details relating to key performance indicators and principal risks and uncertainties have been included in the Report of the Directors.

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 2013 and the Board does not expect to declare a dividend during the Company's continuing development.

Employees

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

Outlook

The peaks and troughs in orders from the UK during the year underline the variability in demand that typify capital equipment sales to the NHS, exacerbated when new technology is involved. However we do expect the increasing installed base, availability of case studies and pressure on costs will continue to generate growing interest, particularly for our perioperative products. We are introducing a managed service approach in the belief that this could break down barriers to adoption, allowing implementation of Inditherm technology using revenue, rather than capital, budgets and giving us an ongoing revenue stream; this is in the early stages so the potential impact cannot yet be assessed. The compelling arguments for Inditherm's cost saving potential in the operating theatre area, backed by the support of NICE guidance, are likely to continue to attract attention from the NHS in its current economic situation. The orders growth in our UK business in 2013 was buoyed by projects carried over from 2012 and maintenance contracts that will attract revenue over a number of years, so we cannot expect growth to continue at the same rate.

The additional revenue from distribution of the ATOM product range in the UK and Ireland has given a welcome boost to our UK business. We are competing against large, long established, multi-national competitors with these systems; however our success in being accepted onto the NHS Supply Chain framework agreement leaves us well-placed. This, combined with the product strengths and our good reputation in the neonatal market, makes us optimistic that we can make further progress in this sector in the year ahead.

Strategic Report and Operating & Financial Review

(continued)

Although we did not experience growth in export orders for our Medical business in 2013, we have recruited additional resource. This should provide us with a sharper focus on the territories that offer the greatest potential and where we can devote more time to providing support to our distributors. We have also strengthened our distributor base and changed those who have been less successful. With this renewed enthusiasm we plan to return to export growth.

We saw a modest upturn in orders from the USA at the end of 2013 but it is unclear as yet whether this will be sustained into 2014. This market represents a relatively small proportion of our total sales, and we will pursue any opportunities we can identify to accelerate progress, subject to maintaining a balanced use of our resources.

We have continued to progress a number of potential projects involving the use of Inditherm technology in third party products (OEM). We believe that one of these will start to produce a modest revenue stream in the year ahead, with the potential for growth if our partner is successful in their target neonatal markets worldwide. Other projects, both medical and industrial, are making progress and have the potential to start generating orders towards the end of this year. We anticipate that our Industrial standard product business will deliver growth that will allow us to offset the loss of ADI sales.

We expect our underlying growth in sales to continue, albeit that the uneven order flow pattern will persist. This year, given the current level of active enquiries, we anticipate income to be biased towards the second half. Inevitably this creates some uncertainty over the rate of progress we can achieve. We will continue to apply all our efforts to driving the business forward faster whilst evaluating all the options available to us. We can see opportunities in both the UK and export medical markets, with additional potential up-side in the OEM and industrial activities, and we are applying our strengthened resources towards accelerating growth.

MARK ABRAHAMS

Chairman

2 April 2014

NICK BETTLES

Chief Executive

2 April 2014

Directors and Board Committees

Directors

*Mark Abrahams (Aged 59, Non-executive Chairman)**

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

Nick Bettles (Aged 58, 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 67) **

John joined the company in March 2002 and is a Chartered Engineer, Fellow of the Institute of Chemical Engineers and Chartered Scientist. He was awarded the OBE in 1995 for services to industry. John is Chairman of West Northamptonshire Development Corporation and sits on the boards of Northamptonshire Waterside Enterprise Zone and Northamptonshire Local Enterprise Partnership. He is also a Chairman of Ennovor Biofuels Ltd.

Ian Smith (Aged 57, Finance Director and Company Secretary)

Ian joined the Company in January 2004, is a Chartered Accountant, and qualified Corporate Treasurer. He has extensive international industrial experience gained at both group and operating company level. Prior to joining Inditherm, Ian was Finance Director for Portakabin Ltd and Divisional Finance Director of Holset, the 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 judgement. They receive a fixed fee for their services. The continuity of service by the non-executive directors is considered appropriate given the limited resources available to the Company and the Board believe that independence is not prejudiced by this.

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

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

Board Committees

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

Audit Committee

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

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

Remuneration Committee

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

Nominations Committee

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

Board Appointments

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

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.

Statement of Corporate Governance

(continued)

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

Internal Control

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

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

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

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

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

- An ongoing process of risk assessment to identify, evaluate and manage business risks.
- Management structure with clearly defined responsibilities and authority limits.
- A comprehensive system of reporting financial results to the Board.
- Quality control systems certified under ISO 9001 and ISO 13485
- Appraisal and authorisation of capital expenditure.

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

Going Concern

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

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

Consulting Agreement – John Markham

On 1 November 2013, as a result of the Company's technical manager's decision to emigrate to Australia in February 2014, 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.

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

2 April 2014

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 three-year term through to 8 December 2014. John Markham, Non-Executive Director, was given a new letter of appointment on 9 March 2012 for a further three-year term through to 13 March 2015. Under the terms of these letters, either party can serve 12 months written notice to terminate the arrangement and the maximum compensation payable in the event that appropriate notice is not given will be the equivalent of 12 months 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 1 April 2014	Notice period
MS Abrahams	9 months	12 months
JH Markham	12 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 £1,333 in the year (2012: nil).

Executive remuneration policy

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

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

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

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.
- *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

For the period 1 November 2010 until 30 April 2012, certain Board members had made unilateral concessions with regard to their salaries:

Mark Abrahams

Mr Abrahams had made a voluntary 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 £5,250, of which £1,167 arose in 2012.

John Markham

Mr Markham had made a voluntary 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 £3,375, of which £750 arose in 2012.

Nick Bettles

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 2013. This item is disclosed in Note 19 Contingent Liabilities.

Remuneration Report

(continued)

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	2013 Total £'000	2012 Total £'000
MS Abrahams	35	–	–	–	35	34
JH Markham	23	–	–	–	23	22
ND Bettles	110	–	5	13	128	124
ID Smith	91	–	5	13	109	109
	259	–	10	26	295	289

Contributions to a defined contribution pension scheme were paid on behalf of 2 directors (2012: 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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Salary	110	106	99	108	110
Bonus	–	–	6	–	–
Pension Contribution	5	5	5	5	5
Benefits in kind	13	13	12	12	11
Total Remuneration	128	124	122	125	126

On 18 January 2012, 900,000 share options were issued to the Chief Executive at a strike price of 5p. 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.

2014 Annual Review

The remuneration packages have been reviewed and there are no changes planned for 2014, reflecting the fact that the Company has not yet reached break-even or profitability.

Interests in share options

Details of options held by directors at 31 December 2013 are set out below:

	Date of grant	Option price	2013 Number	2012 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	100,000

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

Remuneration Report

(continued)

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 2013 was 8.8p: the range of market prices during the year was 2.9p to 12.1p.

Directors' interests in shares

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

	2013	2012
	Number	Number
	of shares	of shares
MS Abrahams	301,546	301,546
JH Markham	29,366	29,366
ND Bettles	4,444	4,444
ID Smith	54,444	54,444

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

All directors' interests are beneficially held.

JOHN H MARKHAM

Chairman, Remuneration Committee

2 April 2014

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report and Operating & Financial Review, Director's Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the 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
- (b) 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

2 April 2014

Report of the Directors

for the Year ended 31 December 2013

The directors present their Annual Report together with the Group's audited financial statements for the year ended 31 December 2013.

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 21 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 2013 and the Board does not expect to declare a dividend during the Company's continuing development (2012: £nil).

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.

Report of the Directors

for the Year ended 31 December 2013 *(continued)*

Key Performance Indicators

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

	2013	2012
Order growth rate (Year on year)	36%	-1%
Strong overall order growth in the year despite a fall in the volume of work done for ADI.		
Gross Margin % (Annual percentage)	56%	57%
Small change in Margins due to sales/product mix.		
Overheads	£1,262k	£1,146k
Overheads have been subject to ongoing tight controls. The increase is largely explained by additional selling and marketing resources for the Medical business and sales commissions.		
Cash resources available	£1,635k	£1,578k
Strong cash performance during the year as a result of working capital controls and the cash flow benefits that arise from Service and Maintenance contracts where cash is received on entering the contract and income is spread over the life of the contract.		

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 1 April 2014 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%
Amati VCT 2 plc	2,500,000	4.9%
Axa Investment Managers Limited	2,112,085	4.1%
David Stredder*	1,700,000	3.3%
Spreadex Ltd**	1,050,000	2.1%

* Interest in contracts for difference with Spreadex Ltd

** Other parties with an interest in contracts for difference with Spreadex Ltd

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.

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 2013 *(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 15.

Indemnification of directors

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

Re-appointment of auditors

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

Report of the Directors

for the Year ended 31 December 2013 *(continued)*

Special business

- Resolution 4 in the Notice of Annual General Meeting on page 41 renews the authority of the Directors to allot relevant securities. The nominal amount of securities to which the authority relates is £25,000, which represents approximately 5% of the Company's current issued share capital. Such authority will expire at the conclusion of the Annual General Meeting next following the passing of this Resolution or if earlier fifteen months after the date of this Ordinary Resolution. The Directors have no present intention of exercising this authority.
- Resolution 5 waives the statutory pre-emption rights under s.561 of the Companies Act 2006 in respect of the allotment of equity securities for cash. The nominal amount of equity securities that may be issued without being offered to existing shareholders is £25,000, as noted above for Resolution 4. There is no present intention to make any such allotment of equity securities, but the Directors consider it desirable to maintain the flexibility afforded by this power.

The directors believe that the two 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

2 April 2014

Independent Auditors' Report to the Members of Inditherm plc

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's loss and the Group's and the parent 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 parent 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and parent company financial statements (the "financial statements"), which are prepared by Inditherm plc, comprise:

- the consolidated and company balance sheet as at 31 December 2013;
- 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 shareholder 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 their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

In addition, we read all the financial and non-financial information in the Annual Report 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.

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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 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.

Arif Ahmad (Senior Statutory Auditor)

for and on behalf of **PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Leeds

2 April 2014

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Revenue	2	2,062	1,673
Cost of sales		(899)	(713)
Gross profit		1,163	960
Overheads		(1,262)	(1,146)
Operating loss	4	(99)	(186)
Finance income	5	6	10
Loss on ordinary activities before taxation		(93)	(176)
Taxation credit from loss on ordinary activities	6	16	12
Loss for the year attributable to owners of the parent company		(77)	(164)
Loss per share from total Inditherm Group attributable to owners of the parent company during the year – basic and diluted	7	(0.2p)	(0.3p)

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

There is no material difference between the Loss on ordinary activities before taxation and the Loss for the year attributable to owners of the parent company as above and their historical cost equivalents.

The notes on pages 24 to 39 are an integrated part of these consolidated financial statements.

ND Bettles
Director

ID Smith
Director

Consolidated and Company Balance Sheet

as at 31 December 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	44	23
Intangible assets	9	4	23
		48	46
Current assets			
Inventories	11	219	179
Trade and other receivables	12	349	216
Tax recoverable		28	12
Cash and cash equivalents		1,635	1,578
		2,231	1,985
Liabilities			
Current liabilities			
Trade and other payables	13	(368)	(259)
Deferred Income	14	(85)	(41)
		(453)	(300)
Net current assets			
		1,778	1,685
Non current liabilities			
Deferred Income	14	(176)	(11)
Net assets			
		1,650	1,720
Shareholders' equity			
Called up share capital	17	511	511
Share premium account		9,929	9,929
Share based payment reserve	20	148	141
Retained earnings		(8,938)	(8,861)
Total equity			
		1,650	1,720

The financial statements on pages 21 to 39 were approved by the Board of Directors on 2 April 2014 and signed on its behalf by:

ND Bettles

Director

ID Smith

Director

Consolidated and Company Statement of Changes in Shareholder Equity

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2012	511	9,929	134	(8,697)	1,877
Credit for Share based payments	–	–	7	–	7
Loss for the year and total comprehensive expense	–	–	–	(164)	(164)
At 31 December 2012	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

Consolidated and Company Cash Flow Statement for the year ended 31 December 2013

Group and Company	2013 £'000	2012 £'000
Net Operating loss	(99)	(186)
Share based payments	7	7
Depreciation and amortisation	35	41
Written off development costs	–	3
Increase in inventories	(40)	(14)
(Increase)/decrease in trade and other receivables	(133)	17
Increase in trade and other payables	109	64
Increase in deferred income	209	9
Interest received	6	10
Tax refund	–	13
Net cash inflow/(outflow) from operating activities	94	(36)
Cash flow from Investing activities		
Purchase of property, plant and equipment	(37)	(14)
Net cash used in investing activities	(37)	(14)
Net increase/(decrease) in cash and cash equivalents	57	(50)
Cash and cash equivalents at the beginning of the period	1,578	1,628
Cash and cash equivalents at the end of the period	1,635	1,578

Notes forming part of the Financial Statements

for the year ended 31 December 2013

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 2013 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 accounts of the parent company was £77k (2012: £164k loss).

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

Going concern basis

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

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

Critical accounting estimates and judgements

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of costs and 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 £261k at 31 December 2013 (2012: £52k). Further details of estimates of when this income will be recognised are contained in note 14. 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 2013 *(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 2013 and 2012 no provision has been needed 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 are identified at the time and are fully provided against.

- Deferred taxation

Note 6 Taxation explains the potential deferred tax assets which have not been recognised due to the uncertainty and on-going tax losses.

New and amended standards adopted by the Group or Company

New standards, amendments and interpretations effective for the first time for the financial year beginning on or after 1 January 2013 are:

- IAS 12, 'Income taxes' on deferred tax
- Amendment to IAS 1, 'Presentation of financial statements' on OCI
- IFRS 13, 'Fair value measurement'
- IAS 19 (revised 2011) 'Employee benefits'
- Amendment to IFRS 1 on hyperinflation and fixed dates
- Amendment to IFRS 1, 'First time adoption' on government grants
- Amendments to IFRS 7 on Financial instruments asset and liability offsetting
- Annual improvements 2011
- IFRIC 20 'Stripping costs in the production phase of a surface mine'

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

New accounting standards and IFRIC interpretations

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted are:

- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- IAS 27 (revised 2011) 'Separate financial statements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- Amendments to IFRS 10, 11 and 12 on transition guidance
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities
- Amendments to IAS 32 on Financial instruments asset and liability offsetting
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures
- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting
- IFRIC, 'Levies'

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

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

Notes forming part of the Financial Statements

for the year ended 31 December 2013 *(continued)*

1 Accounting Policies (continued)

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 the course of the year, 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.

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.

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.

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.

Notes forming part of the Financial Statements

for the year ended 31 December 2013 *(continued)*

1 Accounting Policies (continued)

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 are applied:

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

Intangible assets

Intangible assets are recognised if it is possible 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.

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.

Notes forming part of the Financial Statements

for the year ended 31 December 2013 *(continued)*

1 Accounting Policies (continued)

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 2013 *(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, with a combination of significant cost reduction for the hospital, greater convenience for clinical users, ability to treat more patients and environmental gains. This range achieved formal guidance from NICE in 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 focussed on physiotherapy and rehabilitation use, mostly outside the hospital sector in sports related treatments. There is now a growing use in chemotherapy departments where the Inditherm systems help the cannulation process and reduce the pain for the patient.

In 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.

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

Industrial

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

Notes forming part of the Financial Statements

for the year ended 31 December 2013 (*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 2013 and 2012 is as follows:

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
2012	Industrial Standard Product £000's	Medical £000's	Central and Unallocated costs £000's	Total £000's
Orders	232	1,385	–	1,617
Revenue	236	1,437	–	1,673
Operating profit/(loss)	55	433	(674)	(186)
Trade receivables	42	133	–	175

Geographical analysis of revenue

	2013 £000's	2012 £000's
UK	1,249	836
Europe	238	294
Asia Pacific	291	322
Middle East and Africa	197	91
Americas	87	130
Total	2,062	1,673

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

	2013 £000's	2012 £000's
Operating loss	(99)	(186)
Finance income	6	10
Taxation credit	16	12
Loss for the year attributable to the owners of the parent company	(77)	(164)

Reconciliation of segmental trade receivables to total net assets

	2013 £000's	2012 £000's
Total trade receivables (note 12)	316	175
Prepayments and accrued income	33	41
Intangible assets	4	23
Property, plant and equipment	44	23
Inventories	219	179
Current tax asset	28	12
Cash and cash equivalents	1,635	1,578
Trade and other payables	(368)	(259)
Deferred income	(261)	(52)
Net assets	1,650	1,720

Notes forming part of the Financial Statements

for the year ended 31 December 2013 *(continued)*

3 Employees

Group	2013 £000's	2012 £000's
Aggregate employee costs are as follows:		
Wages and salaries	739	677
Sales commissions	84	11
Social security costs	88	79
Other benefits	29	27
Pension costs – defined contribution schemes	19	19
Share based payment	7	7
Total	966	820

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

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

	2013 Number	2012 Number
Management and Administration	4	4
Medical Sales	9	7
Industrial Sales	1	1
Development and Quality	2	2
Production	9	10
Total	25	24

Directors' emoluments

The emoluments of the directors of the Company are:

	2013 £'000	2012 £'000
Aggregate emoluments	285	279
Contributions to defined contribution pension scheme	10	10
	295	289

The emoluments of the highest paid director were £128k (2012: £124k). Contributions to pension arrangements for the highest paid director were £5k (2012: £5k)

No directors exercised share options during the year (2012: none).

Notes forming part of the Financial Statements

for the year ended 31 December 2013 *(continued)*

4 Operating loss

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

	2013 £'000	2012 £'000
Depreciation of property, plant and equipment - owned assets	16	17
Amortisation of intangible fixed assets	19	24
Property lease payments	71	71
Other operating leases	36	31
Research and development costs	-	51
Grant income	(4)	-
Auditors' remuneration		
For audit services – statutory	26	25
For non-audit services – tax fees	3	3
Total – Auditors' remuneration	29	28

5 Finance income

	2013 £'000	2012 £'000
Bank interest receivable	6	10

6 Taxation

(a) Analysis of credit in the year

	2013 £'000	2012 £'000
<i>Current tax:</i>		
UK corporation tax credit – Current year	16	13
– Prior year	-	(1)
	16	12

(b) Factors affecting tax credit for year

The tax assessed for the year is explained below:

	2013 £'000	2012 £'000
Loss on ordinary activities before taxation	(93)	(176)
Loss on ordinary activities multiplied by expected rate of corporation tax of 20% (2012: 20%)	(19)	(35)
Effects of:		
Expenses not deductible for tax purposes	2	3
Depreciation and amortisation in excess of capital allowances not recognised as deferred tax asset	(6)	(9)
Loss utilised on research and development claim	14	10
Trading losses for which no deferred tax has been recognised	9	32
Prior year adjustment	-	(1)
Research and development tax credit - current year	16	13
Research and development tax credit - prior year	-	(1)
Total tax credit	16	12

The research and development tax credit is effectively at an enhanced rate to the expenditure at the expected rate of corporation tax of 20% (2012: 20%).

Notes forming part of the Financial Statements

for the year ended 31 December 2013 (continued)

6 Taxation (continued)

(c) Factors that may affect future tax charges

The group has tax losses estimated at £7,241k (2012: £7,069k) 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:

	2013 £'000	2012 £'000
Accelerated capital allowances and other timing differences	66	60
Losses	1,448	1,414
	1,514	1,474

Note that the effective future tax rate is 20% (2012: 20%).

7 Loss per share

The calculation of loss per ordinary share is based on a weighted average 51,112,581 (2012: 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 £77k (2012: £164k).

8 Property, plant and equipment

Group and Company

	Fixtures and fittings £'000	Plant, machinery, office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
1 January 2012	233	189	10	432
Additions	1	13	–	14
31 December 2012	234	202	10	446
Additions	–	37	–	37
Disposals	–	(54)	–	(54)
31 December 2013	234	185	10	429
Accumulated depreciation				
1 January 2012	224	172	10	406
Depreciation charge	6	11	–	17
31 December 2012	230	183	10	423
Depreciation charge	2	14	–	16
Disposals	–	(54)	–	(54)
31 December 2013	232	143	10	385
Net book amount				
31 December 2013	2	42	–	44
31 December 2012	4	19	–	23
1 January 2012	9	17	–	26

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

Notes forming part of the Financial Statements

for the year ended 31 December 2013 *(continued)***9 Intangible assets**

Group	Intellectual property rights £'000	Product development costs £'000	Total £'000
Cost			
1 January 2012	136	129	265
Written off	–	(3)	(3)
31 December 2012	136	126	262
31 December 2013	136	126	262
Accumulated amortisation and impairment			
1 January 2012	136	79	215
Amortisation charge	–	24	24
31 December 2012	136	103	239
Amortisation charge	–	19	19
31 December 2013	136	122	258
Net book amount			
31 December 2013	–	4	4
31 December 2012	–	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.

10 Investments in subsidiaries – Company

Investment in subsidiaries at cost:	£
At 1 January 2013 and 31 December 2013	104

Provisions of £104 have been made against the investment (2012: £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 2013 (continued)

11 Inventories

Group and Company	2013	2012
	£'000	£'000
Raw materials	174	124
Work in progress	1	9
Finished Goods	44	46
	219	179

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

The amount credited to the Consolidated Statement of Comprehensive Income in respect of the writing down of inventories was £1k (2012: charge of £11k). The amount credited to the Statement of Comprehensive Income in respect of reversals of write-downs was £1k (2012: £10k). The cost of inventories recognised as an expense and included within cost of sales was £723k (2012: £620k).

12 Trade and other receivables

Group and Company	2013	2012
	£'000	£'000
Trade receivables	316	175
Prepayments and accrued income	33	41
	349	216

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 (2012: £nil).

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

Group and Company	2013	2012
	£'000	£'000
At 1 January	-	1
Unused provision reversed	-	(1)
At 31 December	-	-

Other receivable balances do not contain impaired assets.

At 31 December 2013 trade receivables of £nil (2012: £nil) were impaired. The amount of provision was £nil (2012: £nil).

Notes forming part of the Financial Statements

for the year ended 31 December 2013 *(continued)*

12 Trade and other receivables (continued)

At 31 December 2013 trade receivables of £139k (2012: £61k) 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:

Group and Company	2012	2011
	£'000	£'000
Up to three months	97	59
Between four and twelve months	42	2
	139	61

The carrying value of receivables that would have been past due or impaired, but whose terms have been renegotiated is £nil (2012: £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 (2012: £903k) is fully impaired.

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

Group and Company	2013	2012
	£'000	£'000
Pounds sterling	329	211
Euro	12	5
US Dollars	8	–
	349	216

13 Trade and other payables:

Group and Company	2013	2012
	£'000	£'000
Trade payables	182	119
Other payables	4	3
Other taxes and social security	43	25
Accruals	139	112
	368	259

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

Notes forming part of the Financial Statements

for the year ended 31 December 2013 (continued)

14 Deferred Income

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

Deferred income	Within 1 year £000's	1 to 2 years £000's	2 to 3 years £000's	3 to 4 years £000's	4 to 5 years £000's	Total £000's
2013	85	55	50	50	21	261
2012	41	9	1	1	–	52

15 Financial risk management

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

Liquidity risk

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

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

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
2012	Under 3 months £'000	4 to 12 months £'000	Greater than 12 months £'000	Total £'000
Financial and other liabilities	(229)	(27)	(3)	(259)
Cash and cash equivalents	1,578	–	–	1,578

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 £54k (2012: £66k).

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

Notes forming part of the Financial Statements

for the year ended 31 December 2013 *(continued)*

16 Capital risk management

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

17 Share capital

	2013 Number	2013 £'000	2012 Number	2012 £'000
Issued, called up and fully paid				
Ordinary shares of 1p each	51,112,581	511	51,112,581	511
Authorised share capital				
Ordinary shares of 1p each	78,000,000	780	78,000,000	780
Preference shares of £1 each	220,000	220	220,000	220
		1,000		1,000

18 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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Within one year	71	71	26	17
In the second to fifth years inclusive	143	214	34	12
After five years	-	-	-	-
	214	285	60	29

19 Contingent liabilities

Included within cash and cash equivalents is a deposit for £250,000 that is used as collateral for bank facilities provided by HSBC 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, six (2012: seven) employees will receive a total of £28k, which together with Employers National Insurance would cost £32k (2012: £38k) had the conditions been fulfilled at 31 December 2013. The break-even condition is after bearing a charge for the costs of the bonus.

Under the terms of the Unilateral Concession arrangement between Mr Bettles and the Company, the total salary forgone to the end of the arrangement on 30 April 2012 was £17k. Had the profit performance criteria been achieved at 31 December 2013, 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.

Notes forming part of the Financial Statements

for the year ended 31 December 2013 *(continued)*

20 Share-based payments

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

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

The fair value of the share options granted on 18 January 2012 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.

The number of share options that are in issue at 31 December 2013 is 2,521,907 (31 Dec 2012: 2,521,907), of which 1,096,907 (31 Dec 2012: 1,096,907) were exercisable at 31 December 2013. The exercisable share options have strike prices of between 10p and 97p, with a weighted average exercise price of 45.4p (2012: 45.4p).

The weighted average contractual life of all outstanding share options on 31 December 2013 is 2.7 years (31 Dec 2012: 3.7 years).

The expense recognised in the year from equity settled share based payments was £7k (2012: £7k).

There were no cash settled share based payment transactions.

21 Related party transactions

Key management

Key management comprise the group's executive and non-executive directors. Remuneration of executive and non-executive directors is set out in note 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.

There were no other transactions with key management.

Company – transactions with subsidiaries

Royalties amounting to £nil (2012: £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 2013 of £903k (2012: £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).

FINANCIAL DIARY

Announcement of 2013 annual results	2 April 2014
Annual General Meeting	1 May 2014
Announcement of 2014 interim results	25 September 2014
Announcement of 2014 annual results	2 April 2015

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

Share Dealing Services

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

Duplicate Share Register Accounts

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

Notice of Annual General Meeting

Notice is given that the 2014 Annual General Meeting of the Company will be held at The Cusworth Suite, Holiday Inn Doncaster A1(M) junction 36, High Road Warmsworth, Doncaster, South Yorkshire DN4 9UX on Thursday 1 May 2014 at 12.00 pm for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the accounts of the Company for the year ended 31 December 2013 together with the Report of the directors and the Independent Auditors' Report.
2. To reappoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next general meeting of the Company at which accounts are laid before the members and to authorise the directors to determine their remuneration.
3. To re-appoint Mr Ian D Smith, 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 Resolution 5 will be proposed as a special resolution.

4. Generally and unconditionally to authorise the directors (in substitution for all existing authorities to the extent unused) to exercise all the powers of the Company to allot relevant securities, within the meaning of section 551 the Companies Act 2006 ("the Act") up to an aggregate nominal amount of £25,000. Such authority will expire at the conclusion of the Annual General Meeting next following the passing of this Resolution or, if earlier, 15 months after the date of 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 relevant securities to be allotted after the expiry of the authority conferred hereby and the directors may allot the relevant securities, in pursuance of such offer or agreement, as if the authority conferred hereby had not expired.
5. To empower the directors (subject to the passing of Resolution 4 above) pursuant to section 571 of the Act to allot equity securities (as defined in section 560 the Act) pursuant to the authority conferred by Resolution 4 as if sub-section (1) of section 561 the Act did not apply to the allotment of equity securities for cash up to an aggregate nominal amount of £25,000.

By Order of the Board

ID Smith
Company secretary
2 April 2014

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 29 April 2014. 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 29 April 2014 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 29 April 2014 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
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Wath-upon-Dearne
Rotherham, S63 7LG

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