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INDITHERM plc

Interim Report
for the six months ended
30 June 2013

Chairman's Statement

Introduction

Performance improved significantly in the first half of 2013 with revenue growth restored and underlying order intake 22% up on the same period last year. With some additional investment in sales & marketing resources, administrative expenses have increased by 11%. The Company closed the period with a small profit before tax, in line with our expectation of break-even.

Financial Review

Revenue increased 23% to £1,003k (2012: £812k), with orders for the period well ahead of the same period last year. Gross margin also improved to 61% (2012: 58%) and with administrative expenses increased to £609k (2012: £549k) we generated an operating profit of £1k (2012: loss £79k). This delivered a profit on ordinary activities before taxation of £4k (2012: loss £73k), resulting in earnings per share of 0p (2012: loss per share 0.1p).

The net cash outflow from operating and investing activities was £24k (2012: £97k). This gives a closing cash and cash equivalents balance of £1,554k in hand at the half year (31 December 2012: £1,578k), representing an increase of £23k over the last 12 months.

Operational Review:

Trading levels in the Medical business in the first half of 2013 showed good growth over the same period in 2012, boosted by orders we had expected to receive last year.

We have seen a healthy increase in orders from the NHS in 2013, with a number of substantial orders, albeit with some of those delayed from 2012. Adjusting for this impact, the underlying growth in our UK Medical business was still good at 32%. This improvement reflects greater traction in the operating theatre market helped by the growing acceptance of NICE (National Institute for Health and Care Excellence) guidance for our technology coupled with an imperative to reduce costs in the NHS. We have also enjoyed growth in the neonatal sector during the period, stimulated mostly by our additional product offerings. Notwithstanding our progress, the market dynamics remain challenging, with large variations in order intake from quarter to quarter. However, this combined progress has given us UK Medical order growth year-on-year of over 90% in the period to the end of August 2013. In addition, we now have over £270k of confirmed future service contracts representing a build up of repeat business that will be realised as sales revenue over the next five years.

Order growth in our export markets was more modest, but was nevertheless some 20% improvement year-on-year to the end of August 2013, helped by good orders from China and South Africa. Selling through independent distributors inevitably reduces visibility of the order pipeline, however we continue to receive a positive overall outlook from our overseas partners. We have increased our resources in this area and as the business grows we intend to invest further in distributor support.

Our resource constraints have necessarily precluded us from investing significant time into the USA market. Accordingly, progress there has remained slow albeit we have just received a good order for our operating theatre products. As the Company grows we will devote more resource to the development of this market's potential.

Chairman's Statement

We were recently awarded exclusive distribution rights in the UK and Ireland for the neonatal products of ATOM, a leading producer of incubators, and this should further enhance our market image. We anticipate that this will deliver a modest increase in revenue over the coming year but has the potential to be a useful source of ongoing contribution in the longer term.

We are still pursuing a number of OEM opportunities and whilst there is no guarantee of success, a number of them are showing signs of progress.

The level of Industrial orders continues to make a positive contribution. Overall the Industrial business has held steady, with order levels marginally down on the same period last year. We have seen the balance shift in the first half of 2013 towards our standard products from the process applications, with internally generated sales offsetting lower volumes from ADI Group.

Outlook

Against the backdrop of a break-even result and with underlying order growth restored to 22% we have established a platform from which the next phase of business development can be achieved. The impact of NICE guidance has been a major driver of our UK growth, but there remain significant challenges dealing with the NHS, which results in an uneven order pattern.

Our export business has also grown this year and we are responding to this opportunity by extending our resource in support of our distribution network. Accordingly we expect to continue our progress in this area.

The Company anticipates that the Industrial business will continue to make a small contribution although our plans are not based on growth in this segment.

We believe that the business has made considerable progress following the difficult market conditions over the last four years and our strategic shift to being fully focussed as a Medical business. We do not expect the uncertainties associated with the markets in which our Medical business operates to disappear, so we anticipate ongoing uneven order flow. Against this challenging backdrop we expect to continue our revenue growth but, to fuel this, we will be investing in additional targeted resource which will slow the rate of translation into profit.

MARK ABRAHAMS

Chairman

26 September 2013

Unaudited Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2013

	Notes	**6 months ended 30 June 2013 £'000**	6 months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Revenue		**1,003**	812	1,673
Cost of sales		**(393)**	(342)	(713)
Gross profit		**610**	470	960
Administrative expenses		**(609)**	(549)	(1,146)
Operating profit/(loss)		**1**	(79)	(186)
Finance income		**3**	6	10
Profit/(loss) on ordinary activities before taxation		**4**	(73)	(176)
Taxation	3	**–**	–	12
Profit/(loss) for the period attributable to equity shareholders		**4**	(73)	(164)
Earnings/(loss) per share				
Profit/(loss) per share from total Inditherm Group attributable to equity holders of the parent company during the period – basic and diluted	4	**0.0p**	(0.1p)	(0.3p)

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

Unaudited Consolidated Balance Sheet

as at 30 June 2013

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	**30**	24	23
Intangible assets	**14**	37	23
	44	61	46
Current assets			
Inventories	**203**	173	179
Trade and other receivables	**391**	257	216
Current tax asset	**12**	13	12
Cash and cash equivalents	**1,554**	1,531	1,578
	2,160	1,974	1,985
Liabilities			
Current liabilities			
Trade and other payables	**(476)**	(227)	(311)
	(476)	(227)	(311)
Net current assets	**1,684**	1,747	1,674
Net assets	**1,728**	1,808	1,720
Shareholders' equity			
Called up share capital	**511**	511	511
Share premium account	**9,929**	9,929	9,929
Share based payment reserve	**145**	138	141
Accumulated losses	**(8,857)**	(8,770)	(8,861)
Total equity	**1,728**	1,808	1,720

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 June 2013

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Net operating profit/(loss) for the period	**1**	(79)	(186)
Share based payments	**4**	4	7
Depreciation and amortisation	**15**	25	41
Written off development costs	**–**	–	3
Increase in inventories	**(24)**	(8)	(14)
(Increase)/decrease in trade and other receivables	**(175)**	(24)	17
Increase/(decrease) in trade and other payables	**165**	(11)	73
Interest received	**3**	6	10
Taxation refund	**–**	–	13
Net cash outflow from operating activities	**(11)**	(87)	(36)
Cash flow from Investing activities			
Purchase of property, plant and equipment	**(13)**	(8)	(14)
Capitalised development costs	**–**	(2)	–
Net cash used in investing activities	**(13)**	(10)	(14)
Net decrease in cash and cash equivalents	**(24)**	(97)	(50)
Cash and cash equivalents at the beginning of the period	**1,578**	1,628	1,628
Cash and cash equivalents at the end of the period	**1,554**	1,531	1,578

Unaudited Consolidated Statement of Changes in Shareholder Equity

for the six months ended 30 June 2013

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 £'000	Audited Year ended 31 December 2012 £'000
Opening shareholders' equity	**1,720**	1,877	1,877
Credit for Share based payments	**4**	4	7
Profit/(loss) for the period	**4**	(73)	(164)
Closing shareholders' equity	**1,728**	1,808	1,720

Notes to the Interim Report

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with AIM rule 18 in relation to half year reports. This information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2. Going-concern basis

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

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

3. Taxation

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

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

4. Earnings/(loss) per share

The calculation of earnings per ordinary share is based on a profit of £4,000 (30 June 2012: loss £73,000, 31 December 2012: loss £164,000) and on a weighted average number of shares of 51,112,581 in issue for all periods.

The dilution from outstanding share options is immaterial in the current year and anti-dilutive, by virtue of losses, in prior periods.

Notes to the Interim Report

continued

5 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's rent on the manufacturing facility at Rotherham. The Company entered the lease on 11 March 2002 for an initial period of fifteen years, which ends on 10 March 2017.

In April 2007 the Company introduced a Bonus Scheme, for all employees (excluding 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, seven employees will receive a total of £33k, which together with Employers National Insurance would cost of £38k (31 December 2012: £38k) had the conditions been fulfilled at 30 June 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 30 June 2013, the value of the concessionary payment (including Employers National Insurance) would have been £47k (31 December 2012: £47k). For the bonus payment to payout the profit criteria is after bearing a charge for the cost of the concessionary bonus arrangement.

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

6. Interim financial information

The interim financial information for the period ended 30 June 2013 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial information for the period ended 30 June 2012 are also unaudited and were approved by the Board of Directors on 27 September 2012. The comparative figures for the financial year ended 31 December 2012 are extracted from the audited accounts for that period. The Company's annual report and financial statements for the year ended 31 December 2012 which were prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board (IASB) and endorsed by the EU at the time of preparing those statements. The annual report and financial statements have been delivered to the Registrar of Companies with an unqualified audit report.

Copies of the announcement will be sent to shareholders and are available to members of the general public from the Company Secretary, Inditherm plc, Inditherm House, Houndhill Park, Bolton Road, Wath upon Dearne, S63 7LG or via the Company website at www.inditthermplc.com.

Financial Calendar

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

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