

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about what action you should take, you should consult your stockbroker, bank manager, solicitor or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.** Copies of this document will be available free of charge until 12 January 2007 at the Company's registered office, the address of which is set out on page 4, during normal business hours.

If you have sold or transferred all of your Ordinary Shares, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was affected for delivery to the purchaser or transferee. However, such documents should not be forwarded to or transmitted in or into the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa and any failure by you to comply with such restriction may constitute a violation of the securities laws of such jurisdictions. If you have sold or transferred only part of your holding in Ordinary Shares you should retain these documents.

Collins Stewart Europe Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Inditherm plc in relation to the Placing. Collins Stewart Europe Limited is not acting for any other person in connection with the matters referred to in this circular and will not be responsible to anyone other than Inditherm plc for providing the protections afforded to clients of Collins Stewart Europe Limited or for giving advice in relation to the matters referred to in this circular.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Placing Shares will commence on 15 January 2007. The Placing Shares will be issued free of expenses and will, on issue, rank *pari passu* in all respects with the existing Ordinary Shares in issue, including the right to receive all dividends and distributions declared, made or paid after the date of issue.

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# INDITHERM PLC

*(Incorporated and registered in England and Wales with registered no. 3587944)*

## **Proposed placing of 30,000,000 new Ordinary Shares of 1p each at 10p per share and Notice of Extraordinary General Meeting**

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The Placing Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States or under any of the relevant securities laws of Canada, Australia, Japan, the Republic of Ireland or South Africa. Accordingly, unless an exception under such act or relevant securities law is available, the Placing Shares may not be offered, sold, re-sold or delivered, directly or indirectly, in or into the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa.

Notice of an Extraordinary General Meeting of Inditherm plc to be held at the offices of Collins Stewart, ninth floor, 88 Wood Street, London EC2V 7QR at 10.00 a.m. on 12 January 2007 is set out at the end of this document together with a form of proxy for use at the Extraordinary General Meeting. The form of proxy should be completed and returned to the Company's registrars, Capita Registrars, at Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 10.00 a.m. on 10 January 2007. Completion and return of a form of proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish.

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## EXPECTED TIMETABLE OF EVENTS

Latest time for receipt of forms of proxy	10.00 a.m. 10 January 2007
Extraordinary General Meeting	10.00 a.m. 12 January 2007
Admission of the Placing Shares to AIM	15 January 2007

## DEFINITIONS

The following definitions apply throughout this document and in the accompanying form of proxy unless the context requires otherwise:

“Admission”	admission of the Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules;
“AIM”	AIM, a market regulated by the London Stock Exchange;
“AIM Rules”	the rules for AIM companies and their nominated advisers published by the London Stock Exchange governing admission to and the operation of AIM (as amended from time to time);
“Board” or “Directors”	the directors of Inditherm whose names are set out on page 4 of this document;
“Collins Stewart”	Collins Stewart Europe Limited;
“Companies Act”	the Companies Act 1985 (as amended);
“Company” or “Inditherm”	Inditherm plc;
“CREST”	the United Kingdom paperless share settlement system of which CRESTCo Limited is the Operator (as defined in the Uncertificated Securities Regulations 2001 SI 2001 No. 3755);
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of Inditherm to be held at 10.00 a.m. on 12 January 2007, notice of which is set out at the end of this document;
“Group”	the Company and its subsidiaries;
“London Stock Exchange”	London Stock Exchange plc;
“Option Schemes”	the Company’s Share Incentive Plan and the Enterprise Management Incentive Scheme;
“Ordinary Shares”	the ordinary shares of 1p each in the capital of the Company;
“Placing”	the proposed placing by Collins Stewart of the Placing Shares on behalf of the Company at the Placing Price and on the terms of the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 13 December 2006 between Collins Stewart and the Company, a summary of which is set out in paragraph 4 of the letter from the Chairman;
“Placing Price”	10p per Ordinary Share;
“Placing Shares”	30,000,000 new Ordinary Shares to be allotted on the terms of the Placing Agreement;
“Resolutions”	the resolutions to be proposed at the EGM, as set out in the Notice of EGM at the end of this document;
“Shareholders”	holders of Ordinary Shares at the date of this document;
“UK” or “the United Kingdom”	the United Kingdom of Great Britain and Northern Ireland; and
“US FDA”	the US Food and Drug Administration.

# LETTER FROM THE CHAIRMAN OF INDITHERM

## INDITHERM PLC

*(Incorporated and registered in England and Wales with registered no. 3587944)*

*Registered office: Inditherm House, Houndhill Park, Bolton Road, Wath-upon-Dearne, Rotherham S63 7LG*

*Directors:*

Mark S Abrahams, *Chairman*

Richard Harpum, *Chief Executive Officer*

Ian D Smith, *Finance Director and Company Secretary*

John H Markham, *Non-executive Director*

13 December 2006

*To Shareholders and, for information only, to holders of options under the Option Schemes*

Dear Shareholder,

### **Proposed placing of 30,000,000 new Ordinary Shares Notice of Extraordinary General Meeting**

#### **1. Introduction**

The Board announced today that Inditherm has agreed, subject to certain conditions, to raise approximately £2.8 million, net of expenses, by way of a placing. Further details of the Placing are set out in section 4 of this document.

The necessary authority required for the allotment of Placing Shares pursuant to the Placing will be sought at an Extraordinary General Meeting convened for 10.00 a.m. on 12 January 2007. The purpose of this document is to provide you with information on the Placing and to convene the EGM at which your approval will be sought for the Resolutions.

#### **2. Background to and reasons for the Placing**

As announced earlier today, the Company intends to raise approximately £2.8 million (net of expenses) through the Placing.

Over the last two years, the Company has followed a strategy of focusing on selected markets and undertaking larger projects. This has resulted in a growth in turnover of approximately 50 per cent. in the core medical, industrial and construction businesses of the Company during 2006. It is the Company's intention to continue this progress.

In addition to the growth in established markets, and following the recent US FDA approval for heated mattresses, the Company recently signed an exclusive US distribution agreement with Smiths Medical ASD Inc. ("Smiths") a subsidiary of Smiths Group plc (the "Agreement"). Smiths have a well-established market presence in the US patient warming sector, with a sales team of over 50 specialists, directed at hospitals throughout the US. Under the terms of the Agreement, sales are targeted to reach US\$5million in the third year and as a result it is the Directors belief that the Agreement will accelerate the Company's growth and further improve margins.

The Directors believe that the Company would benefit from access to additional capital to help it to further accelerate growth and therefore proposes to raise additional funds through the Placing.

In order to improve financial stability, to broaden the institutional shareholder base and to minimise transactional costs, the Placing Shares are being offered to a number of existing and new institutional shareholders.

The Placing Price represents a discount of approximately 38.5 per cent to the closing mid-market price of 16.25p per Ordinary Share as at 12 December 2006, the latest practicable date prior to the announcement of the Placing.

### **3. Current Trading and Prospects**

Over the last two years, the Company has taken action to improve its growth prospects through a more focused market approach and through improvements and extensions to the product range, better execution and improved sales and marketing.

During 2006, the Company's turnover has grown at a rate of approximately 50 per cent. This growth has come from industrial projects for heated tanks and modular pipework heating systems for major food and confectionary companies and from the medical business. The Company is currently working on a number of industrial prospects, some of which it expects to secure during the next six months. This will be assisted by an increasing customer interest in making energy savings, which the Company is able to deliver through its innovative product range.

In the construction sector, a successful project in a pre-cast concrete plant, which realised energy and cement cost savings, along with operational benefits, has raised the Company's profile. As a result, the number of enquiries and proposals has increased in recent months.

The medical business continues to extend the international distributor network and the Agreement, together with the increased proportion of medical sales, will help to accelerate growth and lead to improved overall margins.

The Board therefore believes that the Company has significant potential for growth in its medical, industrial and construction businesses.

### **4. Placing**

The Company announced today that it was raising approximately £2.8 million, net of expenses, through the placing of 30,000,000 new Ordinary Shares. The Placing Price represents a discount of approximately 38.5 per cent. to the closing mid-market price of 16.25p per Ordinary Share as at 12 December 2006, the latest practicable date prior to the announcement of the Placing. The Placing Shares will rank in full for all dividends and otherwise *pari passu* with the existing Ordinary Shares.

It is expected that the Placing Shares will be admitted to trading on AIM on 15 January 2007. The Placing is conditional, *inter alia*, upon:

- the approval of the Resolutions at the EGM;
- the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms; and
- Admission of the Placing Shares;

in each case by no later than 8.00 a.m. on 15 January 2007 (or such time and date as the Company and Collins Stewart may agree, being not later than 31 January 2007).

The Placing is to be effected on behalf of the Company by Collins Stewart on the terms of the Placing Agreement. The Placing Agreement provides for Collins Stewart to use its reasonable endeavours to procure subscribers for the Placing Shares. The above obligations are subject to certain conditions including those listed above.

In consideration of their services in connection with the Placing, the Company will pay to Collins Stewart a fee of 3.5 per cent. of the aggregate value, at the Placing Price, of the Placing Shares. The Placing Agreement contains warranties given by the Company with respect to its business and the Group and certain matters connected with the Placing. In addition, the Company has given indemnities to Collins Stewart in connection with the Placing and Collins Stewart's performance of services in relation to the Placing. Collins Stewart is entitled to terminate the Placing Agreement in specified circumstances.

## 6. Directors' Shareholdings

The Directors have agreed to subscribe for an aggregate of £31,500 for 315,000 of the Placing Shares at the Placing Price. The beneficial and non-beneficial interests of those Directors who have agreed to subscribe in the Placing for Ordinary Shares (not including unexercised options over the Ordinary Shares) on the date of this document and following the Placing are set out below:

<i>Director</i>	<b>Current Interests</b>		<b>Interests after Placing</b>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Issued Ordinary Share Capital</i>
Mark Abrahams	151,546	0.7	301,546	0.6
Richard Harpum	57,945	0.3	157,945	0.3
Ian Smith	4,444	0.1	54,444	0.1
John Markham	14,366	0.1	29,366	0.1

## 7. Extraordinary General Meeting and action to be taken

A notice convening the EGM to be held at the offices of Collins Stewart, ninth floor, 88 Wood Street, London EC2V 7QR at 10.00 a.m. on 12 January 2007 is set out at the end of this document. At the EGM, the Resolutions will be proposed.

Authority was given to the Directors at the Company's Annual General Meeting on Friday 28 April 2006 to allot shares and other relevant securities (as defined in section 80 of the Companies Act) up to an aggregate nominal amount of £15,000. This authority expires at the conclusion of the next annual general meeting or, if earlier, 28 July 2007. The statutory pre-emption rights over these shares were also disapplied at the Annual General Meeting. However, at the Placing Price, an authority to issue shares up to an aggregate nominal amount of £15,000 would not be sufficient to issue 30,000,000 new Ordinary Shares required for the Placing. Moreover, whilst the Directors have no present intention to allot any Ordinary Shares pursuant to the authority granted to them at the Company's last annual general meeting, the rights described above would provide flexibility for raising additional funds or making acquisitions, in each case, as suitable opportunities arise.

Accordingly, the Resolutions proposed are to empower the Directors to allot equity securities for cash with an aggregate nominal value of £300,000 (over and above the authority to issue shares up to an aggregate nominal value of £15,000 granted at the Company's Annual General Meeting on Friday 28 April 2006) and to do so otherwise than in accordance with the Shareholders' statutory pre-emption rights set out in the Companies Act, in connection with the Placing.

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the Shareholders at a general meeting under section 80 of the Companies Act. Following the passing of Resolution 1 as an ordinary resolution the Directors will have authority to allot up to an additional 30,000,000 new Ordinary Shares representing approximately 58.7 per cent. of the issued ordinary share capital following completion of the Placing. This authority will expire at the conclusion of the next AGM or 30 April 2007 (whichever is the earlier).

Following the passing of Resolution 2 as a special resolution the Directors will have authority under section 95 of the Companies Act to allot for cash the Ordinary Shares authorised by Resolution 1 without being required first to offer such securities to Shareholders in accordance with the statutory pre-emption rights set out in section 89 of the Companies Act. This authority will expire at the conclusion of the next AGM or 30 April 2007 (whichever is the earlier).

A form of proxy for use by Shareholders in connection with the EGM is attached at the end of this document. Whether or not you propose to attend the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed on it and to return it to the Company's registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR as soon as possible and in any event so as to arrive no later than 10.00 a.m. on 10 January 2007. Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person should you so wish.

**8. Recommendation**

**The Directors, so advised by Collins Stewart, consider the terms of the Placing to be fair and reasonable insofar as the Shareholders are concerned and in the best interests of the Company and accordingly recommend that you vote in favour of the Resolutions at the EGM as they have given irrevocable undertakings to do in respect of their own holding of Ordinary Shares (representing 228,301 Ordinary Shares, being 1.08 per cent. of the current issued ordinary share capital of the Company).**

Yours faithfully,

**Mark Abrahams**  
*Chairman*

# INDITHERM PLC

(Incorporated in England and Wales with registered number 3587944)  
(the "Company")

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of Collins Stewart Europe Limited, ninth floor, 88 Wood Street, London EC2V 7QR on 12 January 2007 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions, of which Resolution No. 1 will be proposed as an ordinary resolution and Resolution No. 2 will be proposed as a special resolution:

### ORDINARY RESOLUTION

1. THAT (subject to and conditional upon (but effective immediately prior to), the admission of the Placing Shares (as defined in the circular dated 13 December 2006 (of which this notice forms part) to trading on AIM and to such admission becoming effective) in addition and without prejudice to the existing authority given at the Company's last annual general meeting, the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 Companies Act 1985 ("CA 1985") to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to a further additional aggregate nominal amount of £300,000 during the period commencing on the date of the passing of this resolution and expiring on the conclusion of the next AGM or 30 April 2007 (whichever is the earlier) (both dates inclusive), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements;

### SPECIAL RESOLUTION

2. THAT (subject to and conditional upon the passing of the Ordinary Resolution numbered 1 contained in the notice of which this resolution forms part), in addition and without prejudice to the existing authority given at the Company's last annual general meeting, the Directors be and they are hereby empowered, pursuant to section 95 CA 1985, to allot equity securities (as defined in section 94(2) CA 1985) for cash pursuant to the authority given by the said Resolution 1 as if section 89(1) CA 1985 did not apply to any such allotments, provided that this power shall be limited to the allotment of equity securities for the purposes of the placing of 30,000,000 new Ordinary Shares of 1p each announced by the Company on 13 December 2006 and shall expire at midnight on the conclusion of the next AGM or 30 April 2007 (whichever is the earlier), except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements.

Dated: 13 December 2006

#### Notes:

1. A member of the Company who is entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her place. A proxy need not be a member of the Company.
2. Forms of proxy should be completed and returned in accordance with the notes on the enclosed form of proxy.
3. Completion and return of this form of proxy will not prevent you from attending and voting at the meeting instead of your proxy, if you so wish.
4. 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 10 a.m. on 10 January 2007 or, if the meeting is adjourned, shareholders entered on the Company's register of member not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.

Dated: 13 December 2006

*Registered office:*  
Inditherm House  
Houndhill Park  
Bolton Road  
Wath-upon-Dearne  
Rotherham S63 7LG

*By Order of the Board*  
Ian Smith  
*Secretary*