

Tristel Plc

Annual Report and Financial Statements

For the year ending 30 June 2012

Registered number 04728199

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Chairman's Introduction

2012 has, in many regards, been a year of transition and change for Tristel plc. After 19 years, our founding shareholder, Francisco Soler, has stepped down as Chairman. His deep knowledge and understanding of the business is without parallel and I am delighted to report that he will continue to be involved with the business as a Non-Executive Director. His guiding hand as we affect the transition of the business with a re-vitalised Board is extremely welcome and we all thank Francisco for this.

The financial results for 2012 indicate modest but welcome growth in both revenue (17.8%), and profit before tax (13.8%). Whilst these results are in line with our revised guidance, they are far from where a company of our ambition should be. Our Board recognises this and is determined that we return to the growth pattern and expectation that we have seen in the years prior to 2010. To affect this, we have initiated a root and branch review of our business across the world, as well as of our Board composition.

The past two years have been characterised by investments in new products, processes and geographies. Our returns from these investments have been, at best, patchy, and the Board and Management are single-mindedly focused on ensuring that these investments either become profitable or are restructured. With the investments complete, we intend to ensure that the business grows at both the revenue and profit line in the segments we occupy, and that the subsequent returns meet our internal hurdles. Success here will drive our value and, in time, reward our patient shareholders. Our Board needs to be fashioned to drive this transition.

We continue to develop our presence in the following segments of our markets:

Hospital Infection Prevention in the Human Health Market (the Human Healthcare Market)

We manufacture and sell a variety of high-performance disinfectants under the Tristel brand name utilising our proprietary chlorine dioxide chemistry. These products are sold to a variety of end-users in the hospital, and growth in this segment continues to be strong at 26%. This is attributable to the newer products in the range, such as the Tristel Wipes System, which has grown by more than 70% over the past 12 months; and the surfaces product range, which is also finding increased acceptance and where growth was over 21%. Consequently, we will focus our sales efforts on these high growth areas in the current and future years.

Veterinary Practice Infection Prevention (the Animal Healthcare Market)

We produce and sell a range of products, which we manufactured previously for distribution by Medichem International (Marketing) Ltd, under a new brand name, Anistel. Our relationship with Medichem has now been terminated. This unforeseen change has provided Tristel with the opportunity to access directly this relatively static market to attain what we anticipate will be an enhanced margin. Early indications of our market penetration are encouraging.

Control of Contamination in Critical Environments (the Contamination Control Market)

The third product set, brand named Crystel, is a range of high-performance disinfectants and detergents designed to control contamination in laboratories, manufacturing plants and hospital pharmacies. This range of products, which is dependent on our own specialist manufacturing facility, is new to Tristel, and sales have not taken off as quickly as anticipated. The operation on a standalone basis is not yet sufficiently profitable and a major focus will be on improving this as quickly as possible.

Over the last two years we have invested significantly in overseas operations (New Zealand, China, Hong Kong and Germany), where there is the potential to replicate the success seen in the UK human healthcare market. In these territories we have focused upon creating direct operations rather than using agents or distributors, and have achieved rapid growth with aggregate turnover increasing by over 400% to £1.07 million in the year (2011: £0.26 million). We have also made significant gains in the registration process of our faster growth products, which we believe bodes well for the immediate future.

However, not all of these operations are cash-flow positive; a situation that the Board considers to be unsustainable. Immediate steps have been taken to reduce our cost base, and in the event that we cannot retrieve the situation, further hard decisions will have to be made.

Tristel plc

Chairman's Statement (continued)

For the year ending 30 June 2012

EPS and Dividend

Basic earnings per share were 1.77 pence (2011: 1.27 pence), representing an increase of 39.4%. The Board recommends that the final dividend is 0.35 pence (2011: 0.12 pence), making the total dividend for the year 0.62 pence (2011: 0.555 pence). If approved, the final dividend will be paid on 14 December 2012 to shareholders on the register at 16 November 2012.

Employees

The Board is always mindful that our employees are our single most important asset. We also recognise that it has been a particularly challenging year for everyone at Tristel. As such, we would like to recognise formally your contributions during the year and to acknowledge that, without your considerable efforts, we would be in a less stable position. Thank you.

Outlook

As previously indicated, we are in the middle of a period of transition. We have conducted a review of our entire operation and have devised, from the bottom up, a very clear set of objectives and business plans. The transition to a more structured company and a return to more profitable growth will not be easy; however, we feel strongly that the market opportunity is there and, having completed the investment in plant and set up, having been joined by some new faces to help us move to the next level and having renewed our focus, we can achieve this for our shareholders. We look forward to further growth in 2013 and beyond.

Christopher Samler

Chairman

26 October 2012

Tristel is a global supplier of infection prevention, contamination control and specialist hygiene products.

The Group serves three markets with three distinctly-branded product portfolios:

- Tristel – products used for infection prevention in hospitals (human healthcare);
- Anistel – products used for infection prevention and hygiene in veterinary practices and animal welfare establishments (animal healthcare);
- Crystel – products used for contamination control in critical environments; for example, the clean rooms of pharmaceutical manufacturing companies and the aseptic units in hospitals.

Infection Prevention in Human Healthcare – the Tristel Portfolio

Hospital microbiologists and infection prevention officers devise their infection prevention and control strategies in terms of the vectors (or routes) of infection transmission within a hospital. These vectors are instruments, surfaces, water, skin and air.

Tristel products are used for the disinfection of specialist instruments, hospital surfaces and water supplies. Whilst the Group has developed a number of patented, chlorine dioxide-based hand disinfectants, it has not yet sought to commercialise them.

Instruments

There are many types of medical instrument that cannot tolerate sterilisation by heat (autoclaving) and which, as a consequence, have to be disinfected with a liquid chemical disinfectant. The best known of these instruments are flexible endoscopes.

Endoscopes are used in many clinical areas of a hospital. For our product development and marketing strategy, we have segregated them into the large, complex, multi-channelled endoscopes that are used in departments such as gastro-intestinal (GI) endoscopy; and the smaller and less complex instruments that are used in other departments of the hospital, such as Ear, Nose and Throat (ENT), Cardiology, Urology and Ultrasound. We categorise the larger, complex instruments under the banner MCE (multi-channelled endoscopes), and the smaller, less complex instruments as N&SLI (non and single lumened instruments).

For many years, the principal focus of our competitors has been on the MCE category, and this is, in fact, where Tristel's origins lie. However, since becoming a public company in 2005, we have concentrated on developing products and decontamination processes that focus on the N&SLI category and the hospital departments in which they are used. These are the least competitively contested areas of instrument disinfection.

The products that we have developed to disinfect the N&SLI instruments are the Tristel Wipes System, the Stella decontamination tray together with Fuse high-level disinfectant, and various chlorine dioxide foam applications.

One of our most successful innovations has been the Tristel Wipes System. By incorporating the three steps of the decontamination process – cleaning the instrument; disinfecting it with chlorine dioxide; and then rinsing it before its next use – into three individual wipes (each with their own unique formulation to undertake the task), and combining the steps with an audit trail process, the Tristel Wipes System has become the most widely-used disinfection method in ENT, Cardiology, IVF and Ultrasound departments in the United Kingdom. The system is portable, allows the instrument to be returned to the consultant for the next patient in a matter of minutes, and requires no capital investment or maintenance. It is a manual process, but one that meets the requirements of the infection control team for a systematic, properly documented process supported by comprehensive training. Both the chlorine dioxide wipe and the Wipes System process are extensively patented.

The Tristel Wipes System is now sold in the United Kingdom and Republic of Ireland, throughout much of Continental Europe and Scandinavia, Russia, Turkey, the UAE, South Africa, Malaysia, Hong Kong, China, Australia and New Zealand.

Tristel plc
Chief Executive's Report (continued)
For the year ending 30 June 2012

Whereas the Wipes System is a manual decontamination process, Stella is a more conventional immersion technique in which the instrument is soaked in Tristel Fuse liquid disinfectant for five minutes; the time required to kill all organisms. Stella is able to flush automatically the lumen of an instrument, thereby enabling it to decontaminate the single-lumened instruments used widely in urology (cystoscopes), gynaecology (hysteroscopes) and respiratory medicine (bronchoscopes).

One of the key features of Stella is that it is battery powered and does not require a mains power supply or water, and has no need for service or maintenance. Consequently, Stella has enormous potential in lesser resourced healthcare markets. We believe that Stella can make a considerable difference to hygiene standards in the developing world. For example, a Stella unit was donated to the charitable organisation Mercy Ships, who operate hospital ships serving some of the poorest countries in the world. Aboard these ships, people are able to receive free surgical operations, dental treatments and medical care. The provision of this unit has enabled Mercy Ships to perform a higher number of critical surgeries than was previously possible.

Stella units have been sold in the United Kingdom and Republic of Ireland, Benelux, UAE, Romania, Israel, Germany, Italy, New Zealand, Russia, Spain, China and Hong Kong.

The Wipes System, Stella and Fuse all challenge the orthodox conventions of endoscope decontamination, but they are gaining ever-increasing acceptance worldwide. Tristel's strategic objective is to establish these products as the universal "gold" standard for the decontamination of non and single-lumened heat-sensitive medical instruments worldwide.

Not only is the Wipes System CE marked as a medical device and approved by Australia's regulatory body (TGA) and China's Ministry of Health, it is also recognised by many national professional societies in their published guidelines as a widely-used, even preferred, method for the decontamination of nasendoscopes (ENT), TOE probes (Cardiology) and ultrasound probes (women's health).

Instruments – financial performance and future outlook

The respective sales contributions of our MCE and N&SLI products are presented in the following charts:



Sales of MCE products in 2011-12 were £2,977,000; an increase of 2.4% on the previous year (2011: £2,908,000). All sales were in the United Kingdom.

Total sales of N&SLI products increased from £2,552,000 to £4,375,000, a rise of 71.4%, with domestic sales increasing by 45.3% and overseas sales increasing by 153.5%. Whilst we have achieved very high rates of penetration in the United Kingdom in certain niche areas, such as ENT, our hospital clients are continuously finding new applications for the Wipes System. There is significant growth potential in areas such as women's health and ophthalmology.

In overseas markets, whether we have established a direct presence as we have in Germany and Russia, or a distributor represents our N&SLI products, we are far from reaching any level of market saturation.

We expect our N&SLI business to continue to grow strongly. The contribution of overseas sales will increase as more countries approve the Wipes System and Stella, and they increasingly become the orthodox decontamination methods for non and single-lumened heat-sensitive medical devices.

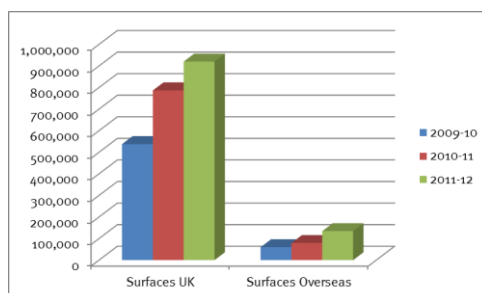
Surfaces

A key characteristic of Tristel's chlorine dioxide chemistry is that it is rapidly effective against bacterial spores. Speed of kill is critical when it comes to disinfecting a surface, as once wetted the surface will dry naturally. If the disinfectant requires a longer contact time to kill a spore than the drying time will allow, the disinfectant will not complete the task. All of our surfaces products kill spores and, most importantly, *Clostridium difficile* spores, in less than five minutes, which is fast enough for a surface to remain wet in almost all conditions.

We have a number of packaging formats in our surfaces range – liquids in one and five-litre packs, together with gels, foams and wipes. They are used, often in combination, by both hospital nursing staff and housekeeping teams to clean and disinfect hospital surfaces, such as ward floors, operating theatre walls, bed mattresses, commodes and patient trolleys. Chlorine is the most prevalent incumbent chemistry that we replace when our surfaces range is adopted by a hospital.

Surfaces – financial performance and outlook

Our surfaces product range is increasing its penetration of the United Kingdom hospital market, and sales overseas continue to gain momentum. Total sales of surface products increased from £867,000 to £1,055,000, a rise of 21.7%, with domestic sales increasing by 16.9% and overseas sales increasing by 69%. The progress made over the course of the past three years is demonstrated in the following chart.



Water

Tristel is the exclusive European distributor for the products of Bio-Cide International Inc, Oklahoma, United States. These products incorporate a chlorine dioxide chemistry that is different from our proprietary formulation. The Bio-Cide's composition is used to control *Legionella*, a bacterium found in drinking water and cooling towers, which is the cause of Legionnaires' disease.

The supply agreement with Bio-Cide was last renewed in June 2008 and has a 20-year term. In association with the supply agreement, Tristel is the representative of Bio-Cide in the industry group that sponsors the registration of sodium chlorite and chlorine dioxide under the Biocidal Products Directive (BPD). Tristel and Bio-Cide share the costs and benefits of membership of this industry group.

The active ingredients used in general purpose disinfectants, such as those used for surfaces, water and skin have to be registered under the BPD. This Directive has been introduced by the European Community (EC) to limit the number of active ingredients that can be used, primarily for ecological and environmental reasons. Sodium chlorite has been approved by the EC and our industry group is supporting it through the regulatory submission process. The industry's consensus view is that the cost of submission under the BPD will block the **development** and introduction of active ingredients that could be future alternatives to those already approved under the BPD. As a supplier of chlorine dioxide products, our long-term view is that the regulatory environment is favourable to the disinfection products that we market, and our involvement in water disinfection has yielded an important corollary benefit in that we are in shaping the future regulatory environment for our technology.

Water – financial performance and outlook

Tristel's Water disinfection product range, whilst not a growth opportunity, produces a consistent stream of revenue, profit and cash. It is a low investment area of the Group's business.

Total sales of Water disinfection products were £482,000 (2011: £611,000). Export sales were £185,000 (2011: £235,000) and domestic sales £297,000 (2011: £376,000).

Other

Other hospital infection prevention revenues during the year were £149,000 (2011: £225,000).

Infection Prevention in Animal Healthcare – the Anistel Portfolio

During the first nine months of the year, the Group manufactured and supplied to Medichem International (Marketing) Limited a range of disinfectants and cleaning products. Medichem sold these products to veterinary practices and other animal welfare institutions in the United Kingdom and overseas, and to hospitals and laboratories in the United Kingdom and overseas. A significant proportion of Medichem's sales were routed through wholesalers and other intermediaries.

In March, a commercial dispute arose with Medichem. As a consequence of the dispute, which could not be resolved by negotiation, Tristel elected to supply directly the end-user customer base. In so doing, Tristel has created a new brand name for the animal healthcare suite of products - Anistel. We have also established a specialist veterinary sales force.

In terminating the supply relationship and establishing a new branding system, Tristel incurred legal and stock write-off costs totalling £55,000 (2011: £nil), which have been treated as, and included in, the non-recurring item.

Tristel ceased supplying products to Medichem on 27 March 2012 and since then the Group has been establishing a growing client base in the United Kingdom amongst veterinary practices, boarding institutions and animal welfare charities, supplying its customers both directly and via the veterinary wholesalers. The Group has also supplied 16 overseas distributors in Italy, Egypt, New Zealand, Hong Kong, Malta, Lithuania, Ireland, Poland, Turkey, South Africa, Finland, Malaysia, Israel, Korea, Pakistan and Austria.

The key products in the animal healthcare range are:

- Anistel hard surface disinfectants and odour eliminators
- Medistel instrument disinfectant
- Enzystel instrument cleaning solution
- Dermastel skin disinfectants.

Infection prevention in animal healthcare – financial performance and future outlook

The sales contributions from the two quite distinct business models employed during the year were:

Sales to Medichem in the period from 1 July 2011 to 27 March 2012 were £1,394,000 (2011: £2,086,000). Sales made directly to intermediaries and end-users in the final quarter of the year totalled £272,000 (2011: nil). The total sales of £1,666,000 for the year represents a 20% decrease in sales to Medichem (2011: £2,086,000).

We believe that the Group is well positioned to capture the leading market position enjoyed by the products it manufactured for Medichem. In selling directly to the end-user, Tristel expects to increase its sales in the United Kingdom veterinary market at an enhanced margin.

Critical Environment Contamination Control – the Crystel Portfolio

The detergents and disinfectants in the Crystel portfolio are categorised as “non-sterile” and “sterile” in terms of their manufacture. The sterile products have to be made in the clean room that we constructed in our Newmarket facility.

Our sterile products are used in the clean rooms of pharmaceutical manufacturers and the aseptic units of hospitals to prevent the microbial contamination of the critical environments in which drugs are produced.

The non-sterile products are used typically in the production facilities of manufacturers of personal care products to prevent cross-contamination between batch manufacturing processes.

In the United Kingdom, the Crystel portfolio is sold directly to the end-user by a dedicated sales team, and also through distributors and wholesalers. In overseas markets, we supply the Crystel portfolio via specialist pharmaceutical wholesalers.

Critical environment contamination control – financial performance and outlook

Sales of the sterile and non-sterile products during the year were £235,000 (2011: £38,000), an increase of 518.4%.

We expect a significant increase in sales during the current financial year.

International – all Group Portfolios

The Group has a clear strategy to expand its business internationally across all three of the Group’s product portfolios.

The business model employed in the majority of countries in which we sell products is to use a national distribution partner. During the year, 38 distributors purchased Group products (2011: 18) with an aggregate value of £1,048,000 (2011: £726,000), an increase of 44.4% on the prior year.

Notwithstanding the model employed in the majority of countries, we have found that greater and more rapid penetration is, in fact, achieved where we have established subsidiaries and branch offices in overseas markets. During the year, our direct operations in New Zealand, China, Hong Kong and Germany generated aggregate revenues of £1,068,000 (2011: £255,000).

The division between overseas sales generated by direct operations and by distributors in the year and compared with 2011 was:



Tristel New Zealand Limited, New Zealand (100% owned)

Tristel NZ is based in Tauranga, North Island. Its team supervises product development, manufacture and all aspects of the supply chain process for the Stella decontamination system. The team also serves the New Zealand and Australia hospital infection control markets. In Australia, the Wipes System has been approved by the TGA.

Tristel NZ sales for the year were £335,000 (2011: £88,000); an increase of 280.7% on the previous year.

Shanghai Stella Medical Equipment Co. Limited, China (85% owned)**Tristel Asia Limited, Hong Kong (85% owned)**

SSME is based in Shanghai and its team manages the regulatory process within China, Hong Kong and Taiwan for the three Tristel hospital infection prevention products: the Wipes System; Stella and Fuse, and the Surfaces range. We have received multiple approvals for these products from the regulatory bodies in China and Hong Kong.

SSME and TA sales in the year were £521,000 (2011: £123,000); an increase of 323.6% on the previous year.

Tristel Italia srl, Italy (20% owned)

TIL is a sales and marketing operation serving the Italian hospital infection prevention market.

TIL's results are not consolidated into the Group, but are accounted for under the equity method and are unaudited. Sales during the year were £136,810 (2011: £150,185); a decrease of 8.9 % on the previous year.

Tristel Germany (branch)

TG is a branch located in Berlin. The team is a sales and marketing operation serving the German hospital infection prevention control market. Sales during the year were £212,000 (2011: £44,000); a 381.8% increase on the previous year.

Tristel Russia (branch in formation)

TR is a branch located in Moscow. As of 30 June 2012, the branch was still in the process of formation; however, during the year, the management team was actively promoting the interests of the Group and submitting tenders for fulfilment in 2012-13.

International – financial performance and future outlook

The Group's product portfolios have the opportunity to be global, both in reach and scale.

There will be opportunities in the future to use the overseas distributors that we have established for our hospital infection prevention business to sell the other two portfolios. This opportunity will be for both our distribution partners and our owned operations.

As a result of our product offering becoming more established overseas, alongside the widening of our target markets, Group export sales increased by 110.7% during the year, from £1,004,000 to £2,116,000, and international expansion will continue to be a major driving force for the growth of the Group.

GROUP RESULTS AND FINANCE**Revenue**

Group revenue increased by 17.8% to £10,939,000 (2011: £9,287,000).

Margins and Operating Profit

The gross margin increased to 67.9% from 63.5% in 2011 following a full-year impact of the improved royalty arrangement negotiated during the previous year.

Excluding amortisation of intangibles, share-based payments, non-recurring items, interest and results from associates, operating profits increased by 57.4% to £1,294,000 (2011: £822,000).

Tristel plc**Chief Executive's Report (continued)**

For the year ending 30 June 2012

Profit before Tax

Profit before tax increased by 13.8% to £578,000 (2011: £508,000) after a non-recurring item of £174,000 (2011: £nil). Profit before tax adjusted for the non-recurring item increased by 48% to £752,000 (2011: £508,000).

Earnings

The basic earnings per share were 1.77 pence (2011: 1.27 pence); an increase of 39.4%.

Capital and Intangible Expenditures

The significant capital investment made in our manufacturing facility was drawn to a close this year, with additions to plant and equipment for the year totalling £539,000 (2011: £880,000). We have continued to invest in the development of new products, patents and regulatory approvals, resulting in additions to intangible assets of £630,000 (2011: £1,533,000).

Treasury

Cash levels have increased during the year from £441,000 to £705,000.

Paul Swinney

Chief Executive

26 October 2012

Christopher Samler, Non-Executive Chairman (*Member of Audit, Remuneration & Nomination Committees*)

Christopher Samler has extensive CEO and Board experience in a variety of listed and private companies. A former British Army Officer, Christopher graduated top of his class from the Royal Military Academy Sandhurst in 1980 and was Adjutant of his regiment from 1984-86. His early commercial career included working as an analyst for The Boston Consulting Group, a variety of senior positions with the US-based healthcare multinational, Baxter International, followed by a series of roles within venture capital backed businesses. In addition to his role with Tristel, Christopher sits on the Board of a number of companies and, since 1995, has been Chairman of TQ Education & Training, which he sold to Pearson plc in October 2011. Christopher holds an MA (Hons) from the University of Oxford and an MBA from the Harvard Business School.

Paul Swinney, Chief Executive (*Member of Nomination Committee*)

Paul Swinney started his career with Brown, Shipley & Co in 1980. He worked for the European banking operations of Norwest Bank Minneapolis and Maryland National Bank, before joining OSI Finance, a specialist in shipping finance, in 1987. In 1993, he co-founded the business that was to become Tristel Plc. He has been Chief Executive and a shareholder since inception.

Elizabeth Dixon, Finance Director

Elizabeth Dixon trained with BDO before moving into industry with the Holiday Property Bond Group, where she developed her career, ultimately becoming UK Finance Manager. Having joined Tristel in 2007 as Chief Group Accountant, Elizabeth went on to join the Board of Tristel Solutions Ltd in August 2009 and was appointed as Group Finance Director in June 2010.

Francisco Soler, Non-Executive Director (*Chairman of Remuneration & Nomination Committees*)

Resigned as Non-Executive Chairman and re-appointed Non-Executive Director on 25.6.12.

Francisco Soler is a founding shareholder of the Group and has been an active investor in a number of companies around the world. Among them, he was a member of the Board of United States Can Company (US Can), which was listed on the New York Stock Exchange before being taken private by a private equity Group. He was Chairman of Leisure Tennis Limited, the owner of the Harbour Club leisure facility in central London, which was sold to Cannons Group Plc in August 1998, and of Harbour Club Milano, which was sold to the Aspria Group in 2009. He is a Knight of the Order of Malta.

Paul Barnes, Non-Executive Director (*Chairman of Audit Committee and member of Remuneration committee*)

Paul has wide experience in venture development, financial strategy and management, corporate finance and M&A disciplines. He has played a key role in the development and admission to the London Stock Exchange's AIM market of both Tristel plc and Oxford Catalysts plc, raising substantial funds for both companies. Paul is a Fellow of the Association of Chartered Certified Accountants, a registered auditor in the UK and a member of the UK's Chartered Institute for Securities and Investments. Having joined Tristel plc in 2004 as Finance Director, Paul was involved in the development and expansion of the company up until June 2010 when Elizabeth Dixon, the current FD, transitioned into the role.

Peter Stephens, Non-Executive Director (*Member of Audit Committee*)

Peter Stephens was previously Head of European Equities Sales at Salomon Brothers and Credit Lyonnais. Since 2001, he has been working as a self-employed venture capitalist. He studied at Oxford University and qualified as a barrister in 1978. He is a founding shareholder and was appointed as a Director of the Company in May 2004. Peter will step down at Tristel's AGM in December 2012.

Bruce Green, Non-Executive Director

Bruce Green is a Chartered Chemist, member of the Royal Society of Chemistry and a Chartered Scientist. He has been involved with the formulation of many famous brands both in the UK and North America and holds numerous chemistry patents. He has acted as a consultant to Tristel since the establishment of the business in 1993, and is the inventor of Tristel's proprietary chlorine dioxide technology.

Peter Clarke and Antonio Soler, both Non-Executive Directors at 1.7.11, retired from the Board at the Company's AGM on 13.12.11.

Introduction

It is not a requirement for Companies that have securities listed on AIM to comply with the disclosure requirements or the UKLA Listing Rules and the disclosure provisions under Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. The Remuneration Committee, however, is committed to maintaining high standards of corporate governance and has taken steps to comply with the principles of best practice in so far as it can be applied practically given the size of the Company and the nature of its operations.

Remuneration Report

The Board has applied the principles of good governance relating to Directors' remuneration as described below.

Remuneration Committee

The Remuneration Committee comprises certain Non-Executive Directors under the chairmanship of Francisco Soler. The Committee's constitution and operation is compliant with the provisions of the Combined Code on Corporate Governance, published by the Financial Reporting Council. When setting its remuneration policy for Executive Directors, the Committee gives consideration to the provisions and principles of the Combined Code.

Remuneration Policy for Executive Directors

The remuneration policy has been designed to ensure that Executive Directors should receive appropriate incentive and reward given their performance, responsibility and experience. When assessing this, the Remuneration Committee seeks to ensure that the policy aligns the interests of the Executive Directors with those of shareholders.

The Company's remuneration policy for Executive Directors is to:

- Consider the individual's experience and the nature and complexity of their work in order to set a competitive salary that attracts and retains management of the highest quality, whilst avoiding remunerating the director more than is necessary;
- Link individual remuneration packages to the Group's long-term performance through both bonus schemes and share option plans;
- Provide post-retirement benefits through payment into defined contribution pension schemes;
- Provide employment-related benefits, including provision of life assurance and medical insurance.

Remuneration Package for Executive Directors

Executive Directors' remuneration packages are considered annually by the Remuneration Committee in line with Company policy, with a view to attracting, retaining and motivating Executive Directors of the calibre necessary to deliver the strategic milestones of the Board. Remuneration packages comprise a number of elements, as outlined below:

Base salary

The base salary is reviewed annually in June. Within the review process, which is undertaken by the Remuneration Committee, regard is given to the profitability and on-going development of the Group, and the contribution made by each individual. Consideration is also given to the need to retain and motivate individuals, with reference to available information on salary levels in comparable organisations, as well as that of the company's wider workforce. To assist in this process, the Remuneration Committee draws on the findings of external salary surveys and undertakes its own research.

Annual performance incentive

The Executive Directors are eligible to receive, at the discretion of the Remuneration Committee, an annual bonus. The Committee considers the implementation of bonus awards based upon both corporate and personal performance targets and measures, which align to the long-term interests of shareholders. Performance targets are put in place with a view to clearly linking the motivation of individuals to the value drivers of the business.

Pensions and other benefits

The Group does not operate a Group pension scheme; instead, individuals receive contributions to their private pension arrangements.

Remuneration Package for Executive Directors (continued)

Other benefits provided are life assurance and private medical insurance. Currently, no company cars are provided, but Directors are paid a car allowance in accordance with HMRC guidelines.

Share options

Executive Directors may, at the discretion of the Remuneration Committee, be awarded share options. Where these are granted, the option price will always exceed the closing mid-market value of the Company's ordinary shares on the day prior to grant. No share retention obligations are placed upon Directors.

The performance of Executive Directors is evaluated by the Remuneration Committee on an annual basis with a view to ensuring a sufficiently strong link between performance and reward. The results of performance evaluations are taken into consideration as part of the annual remuneration review.

Remuneration Policy for Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board as a whole, based on a review of current practices in equivalent companies. The Non-Executive Directors do not receive any pension payments towards private arrangements, nor do they participate in any of the bonus schemes.

The Non-Executive Directors each have service agreements that are reviewed annually by the Board. All Board members retire at each Annual General Meeting, and at their own request, alongside the recommendation of the Nominations Committee, are put forward for re-election.

Directors' Remuneration

The Directors received the following remuneration during the year to 30 June 2012.

Name of Director	Salary and fees	Bonus	Taxable benefits	Share-based pmts IFRS-2	2012 Total (excl. pension)	2011 Total (excl. pension)	2012 Pension	2011 Pension
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive								
Paul Swinney	143	-	25	-	168	172	21	21
Elizabeth Dixon	75	-	11	-	86	64	11	7
Non-Executive								
Christopher Samler (appointed 24.10.11)	17	-	-	-	17	-	-	-
Francisco Soler	-	-	-	-	-	-	-	-
Paul Barnes	20	-	2	-	22	35	-	-
Peter Stephens	20	-	-	-	20	20	-	-
Bruce Green	12	-	-	-	12	12	-	-
Peter Clarke (retired 13.12.11)	6	-	-	-	6	12	-	-
Antonio Soler (retired 13.12.11)	16	-	-	-	16	40	-	-
Aggregate emoluments	309	-	38	-	347	355	32	28

Paul Swinney's service contract contains a provision that, in the event of a change in control of the Group, he would receive a bonus payment equivalent to 150% of his then prevailing annual salary.

Tristel plc
Directors' Remuneration Report (continued)

For the year ending 30 June 2012

Directors' Share Options

The aggregate emoluments disclosed above include the amount charged to the income statement in accordance with IFRS 2 in respect of the fair value of options granted or held by the Directors to acquire ordinary shares in the Company. Details of options held by the Directors are as follows:

Name of Director	Total shares granted	Total shares vested at 1 July 2011	Shares vesting in the year	Total shares vested at 30 June 2012	Exercise price	Earliest date of exercise	Date of expiry
Executive							
Paul Swinney	250,000	250,000	-	250,000	59.50p	23/12/05	22/12/15
	250,000	250,000	-	250,000	53.75p	12/10/09	12/10/19
	250,000	250,000	-	250,000	53.75p	30/06/10	12/10/19
	500,000	-	-	-	65.00p	On change of control	12/10/19
Elizabeth Dixon	60,000	45,000	15,000	60,000	53.75p	23/07/08	23/07/18
	60,000	30,000	15,000	45,000	53.75p	04/08/09	04/08/19
	10,000	-	10,000	10,000	53.75p	21/12/11	21/12/21
Non-Executive							
Paul Barnes	43,750	43,750	-	43,750	53.75p	12/10/09	12/10/19
	43,750	43,750	-	43,750	53.75p	30/06/10	12/10/19
	87,500	-	-	-	65.00p	On change of control	12/10/19

Options held by the Directors are subject to vesting arrangements over the life of the options. An initial tranche of options become exercisable immediately. Further tranches become exercisable over periods ranging from 12 to 36 months from grant, or as detailed in the specific instances above, upon change of control of the Group.

Directors' Shareholdings

The interests of the Directors in the shares of the Company at 30 June 2012 and 30 June 2011 were:

Ordinary 1p shares	30 June 2012	30 June 2011
Executive		
Paul Swinney	1,092,742	1,162,742
Elizabeth Dixon	13,500	8,000
Non-Executive		
Francisco Soler	8,698,877	7,521,477
Paul Barnes	572,680	572,680
Peter Stephens	778,521	1,128,521
Bruce Green	965,016	960,016
Peter Clarke (retired 13.12.11)	-	21,811
Antonio Soler (retired 13.12.11)	-	10,000

The market price of the Company's shares as at 30 June 2012 was 29.5p. The range during the year was 28p to 48p (source - London Stock Exchange).

Corporate Governance

Companies who have their securities traded on the AIM are not required to comply with the disclosure requirements of UK Corporate Governance published by the Financial Reporting Council. The Board has determined that the Company should maintain high standards of corporate governance, and has adopted procedures and taken steps to adopt the underlying principles required for good governance, in so far as is appropriate given the size of the Company and the nature of its operations; for example, the Group does not currently have an internal audit function, which the Board of Directors consider appropriate for a Group of Tristel's size.

Board of Directors

The Company is controlled by the Board of Directors, which comprises two Executives, one of whom is the Chief Executive Officer, and five Non-Executive Directors. The role of the Chief Executive Officer and Chairman are separate.

All Directors are able to take independent advice to assist them in their duties if necessary.

The Board is responsible to shareholders for the proper management of the Group, and meets formally at least eight times a year to set the overall direction and strategy of the Group, to review operating and financial performance and to consider and advise on senior management appointments. The Board also monitors and approves financial policy and budgets, including capital expenditure. All key operational decisions are subject to Board approval. The company secretary is responsible for ensuring that Board procedures are followed and that there is compliance with any and all applicable rules and regulations.

Directors are subject to election by shareholders at the first opportunity after their appointment. In addition, all board members retire at each Annual General Meeting, and at their own request alongside the recommendation of the Nominations Committee, are put forward for re-election.

Board and Committee Attendance

The Board and its committees met 16 times during the year; the attendance of the Directors at these meetings is detailed below. On the occasions when a Director was unable to attend a meeting, any comments arising from the information pack were circulated prior to the meeting and provided to the Chairman.

	Eligible to attend	Attended
Christopher Samler	9	9
Paul Swinney	12	12
Elizabeth Dixon	12	12
Francisco Soler	15	15
Paul Barnes	16	16
Peter Stephens	16	16
Bruce Green	12	11

Committees of the Board

Remuneration Committee

The Remuneration Committee comprises certain Non-Executive Directors under the Chairmanship of Francisco Soler. It reviews, inter alia, the performance of the Executive Directors and sets the scale and structure of their remuneration and basis of their service agreements, giving due regard to the interests of the shareholders. The Remuneration Committee also determines the allocation of share options to Executive Directors. No Director has a service agreement exceeding one year. One of the policies of the Remuneration Committee is that no individual participates in discussions or decisions concerning their own remuneration. The Directors' Remuneration Report is set out on pages 13 to 15.

Audit Committee

The Audit Committee comprises certain Non-Executive Directors under the Chairmanship of Paul Barnes. Under its terms of reference, it meets at least three times a year and, amongst other duties, oversees the monitoring of the Group's internal controls, accounting policies and financial reporting, and provides a forum through which the external auditors report. The Committee meets at least once a year with the external auditors, without Executive management present.

Nominations Committee

The Nominations Committee comprises one Executive and two Non-Executive Directors, under the Chairmanship of Francisco Soler. The Committee meets twice a year to consider whether or not Directors retiring by rotation should be put forward for re-election at the Annual General Meeting; to give full consideration to succession planning for Directors and other senior Executives; and to identify and nominate for the approval of Board candidates to fill vacancies as and when they arise.

Relations with Shareholders

The Board considers effective communication with shareholders to be very important and encourages regular dialogue with both institutional and private investors. The Board responds promptly to questions received verbally or in writing. Directors regularly attend meetings with both private and institutional shareholders and analysts throughout the year. Shareholders will be given at least 21 days' notice of the Annual General Meeting, at which they will be given the opportunity to discuss the Group's developments and performance. The Company's website (www.tristel.com) contains full details of the Group's activities, press releases and other details, as well as share price details, share trading activities and graphs, and Regulatory News Service (RNS) announcements.

Maintenance of a Sound System of Internal Control

The Directors have overall responsibility for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance that the assets of the Group are safeguarded and that shareholders' investments are protected. The system includes internal controls appropriate for the Group's size, and covers financial, operational, compliance (including health and safety) and risk management areas. There are limitations in any system of internal control, which can provide reasonable but not total assurance with respect to the preparation of financial information, the safeguarding of assets and the possibility of misstatement or loss.

The Board has considered its policies with regard to internal controls, as set out in the Turnbull Report, and undertook an assessment of the major areas of the business and methods used to monitor and control them. In addition to financial risk, the review covered operational, commercial, regulatory and health and safety. The risk review is an on-going process, with reviews being performed on a regular basis.

The key procedures designed to provide an effective system of internal controls that are operating up to the date of sign-off of this report are set out below.

Control Environment

There is an organisational structure with clearly-defined lines of responsibility and delegation of accountability and authority.

Risk Management

The Group employs Directors and senior personnel with the appropriate knowledge and experience for a business engaged in activities in its field of operations. It undertakes regular risk assessments and reviews of its activities.

Financial Information

The Group prepares detailed budget and working capital projections, which are approved annually by the Board and are maintained and updated regularly throughout the year. Detailed management accounts and working capital cash flows are prepared on a monthly basis, as is a written commentary giving a comparison to budgets and projections identifying any significant variances.

Management of Liquid Resources

The Board is risk averse when investing any surplus cash funds. The Group's treasury management policy was adopted in July 2005, and is reviewed periodically.

The Board has considered it inappropriate to establish an internal audit function, given the size of the Group. However, this decision will be reviewed as the operations of the Group develop.

The Directors present their report with the financial statements of the Company and the Group for the year ending 30 June 2012.

PRINCIPAL ACTIVITY

The principal activity of the Group in the year under review was the design, manufacture and sale of infection control, contamination control and hygiene products. Tristel plc is a public limited company and is incorporated and domiciled in the United Kingdom. The financial statements are presented in UK Sterling.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Chairman's Statement (pages 3 to 4) and the Chief Executive's Report (pages 5 to 11) report on activities during the year, post balance sheet events and likely future developments. They also report on the main trends and factors likely to affect the future development, performance and position of the Group's business.

Management considers the primary key performance indications (KPIs) for the Group to be revenue and gross margin %. These are both measured and monitored closely. Current period revenue is £10.9m (2011: £9.3m); the gross margin for the year is 68% (2011: 64%). References to both can be seen in the Chairman's Statement and the Chief Executive's Report.

In addition to financial KPIs, the Directors measure and monitor closely various non-financial KPIs; these include:

- The maintenance of the Group's quality system and certification required for the design, manufacture and sale of medical devices. This involves frequent quality control audits from the Group's Notified Body. A successful completion of these audits concludes without identification of major non-compliances by the Notified Body who test all areas of the Group's quality system, including customer service, customer satisfaction and product quality assurance. During the year, the Group underwent two audits and carried out a number of desktop reviews of technical files. No major non-compliances were registered during the year.
- Staff retention and workplace satisfaction. Staff retention levels have historically been extremely high and continued at this level during the year. Workplace satisfaction amongst all staff is measured in an informal process that reflects the management style of the organisation.

The principal risks and uncertainties facing the Group are considered below.

Operating Risks

These include the Group's ability to continue to manufacture and supply in a timely manner the existing product portfolio, and the ability to achieve, in a timely manner, regulatory approval in those regions, where necessary.

Other operating risks include the implementation of new contracts; the achievement of the demanding service levels included in existing and future customer contracts; the failure of a product supplied by the Group and the ability to continue to develop and commercialise new products.

The Group keeps each of these risks under review working proactively in this regard. Each of the risks listed above would have an impact on the financial performance of the Group. The steps below have been taken to mitigate any potential impact:

- The Board has developed a Disaster Recovery Plan, which sets out the process necessary to swiftly relocate people, processes and production in order to ensure a continuity of supply.
- The challenges in maintaining worldwide legal and regulatory compliance in respect of financial, environmental, quality and health and safety requirements are significant. In particular within the UK, legislation with regard to bribery and corporate manslaughter pose a risk to the Group and its officers. Senior members of the Board, supported by specialist advisors, take responsibility for maintaining legal compliance. Through a risk management process the implications of new regulations and legislation are assessed and the necessary changes and mitigation put in place.

Tristel plc
Report of the Directors (continued)
For the year ending 30 June 2012

Operating Risks (continued)

- The Group seeks to employ personnel with the appropriate qualifications and experience, and engages professional advisors and consultants with the relevant expertise when required.

External Risks

The Group's performance is also subject to external macroeconomic conditions and changes in factors, such as inflation or public spending. An economic downturn due to a cutback on the supply of funds to the National Health Service, in particular, could negatively affect the Group's revenue.

The Board has recognised that trading conditions can become uncertain, particularly during times of public spending cuts and global recession, and as such has employed a strategy of diversification into both new markets and geographies in order to reduce the Group's reliance on a single customer or area of the business.

Financial Risks

The Group's activities expose it to a number of financial risks, including credit risk, cash-flow risk and exchange-rate risk:

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables, which are concentrated in a large number of low-value customer accounts. In addition, operations in emerging or new markets may have a higher than average risk of political or economic instability, and may carry increased credit risk. In each case, the risk to the Group is the recoverability of the cash flows.

Credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The credit risk on trade and other receivables is managed by agreeing appropriate payment terms with customers, obtaining credit agency ratings of all potential customers; by requiring wherever possible payment for goods in advance or upon delivery; and by closely monitoring customers balances due, to ensure they do not become overdue. In addition, careful consideration is given to operations in emerging or new markets before the Group enters them.

Cash-flow risk

The Group's activities expose it primarily to the financial impact of changes in interest rates. Interest-bearing assets and liabilities are held, wherever possible, at a fixed rate to ensure certainty of cash flows. However, where borrowings are linked to base rates, consideration is given to the impact of, and potential for, fluctuation prior to entering into the arrangement. Group cash balances and expected cash flow are monitored daily to ensure the Group has sufficient available funds to meet its needs.

Exchange-rate risk

Group exposure to exchange-rate risk includes the measurement of overseas operations at the relevant exchange rate and changes in trade payables and receivables as a result of exchange-rate movements. Daily exchange-rate movements are monitored and any losses or gains incurred are taken to the income statement and reported in the Group's internal management information. Before agreeing any overseas transactions, consideration is given to utilising financial instruments, such as hedging and forward purchase contracts.

Liquidity Risk

Group policy is to maintain a strong capital base so as to enhance investor, creditor and market confidence. Surplus funds are placed on time deposits, with cash balances available for immediate withdrawal if required.

Tristel plc

Report of the Directors (continued)

For the year ending 30 June 2012

RESULTS AND DIVIDENDS

There was a profit for the year after taxation, amounting to £0.669m (2011: £0.437m).

A final dividend of £0.048m (0.12p per share) was paid during the year in respect of the year ending 30 June 2012 (2011: £0.464m (1.4p per share)).

An interim dividend of £0.108m (0.27p per share) was paid during the year in respect of the year ending 30 June 2012 (2011: £0.174m (0.435p per share)), and the Directors recommend a final dividend of 0.35p per share (2011: 0.12p per share). If approved, the total distribution of dividends for the year ending 30 June 2012 will be £0.248m (2011: £0.222m).

A review of the Group's performance for the year ending 30 June 2012 is contained in the Chairman's Statement on pages 3 to 4 and the Chief Executive's Report on pages 5 to 11.

RESEARCH AND DEVELOPMENT

The Group continues to invest in research and development. The products currently being developed are expected to make significant contributions to the growth of the business. The Directors regard investment in this area as a prerequisite for success in the medium to long-term.

CHARITABLE DONATIONS

The company made payments in the period to the ADAPT charity of £1,458 (2011: £6,026), who provide support within neonatal units for premature and poorly new-borns.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Report of Directors above. Current economic conditions create a degree of uncertainty over the level of demand for the Group's products and services, and the availability of finance through banking facilities. The Board considers there to be no material uncertainties within the business.

The Directors compile budget and cash-flow forecasts, which are stress-tested for potential future influences and events. Funding is sought, as necessary, in the most appropriate and cost-effective form, to a level that provides sufficient headroom to the Group's cash requirements. A £1m bank facility in the form of a revolving overdraft secured via an intercompany guarantee was in place, but not utilised, at the balance sheet date.

The Directors believe that the Group is well placed to manage successfully its business risks, despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the annual report and financial statements.

Tristel plc

Report of the Directors (continued)

For the year ending 30 June 2012

DIRECTORS

The Directors below have held office during the year.

C Samler (appointed 24.10.11)

PC Swinney

EA Dixon

FA Soler

PM Barnes

PFH Stephens

BC Green

PC Clarke (resigned 13.12.11)

AF Soler (resigned 13.12.11)

Peter Stephens will retire at the Company's Annual General Meeting to be held in December 2012. All of the remaining Directors will retire, and will be proposed for re-election at the Nominations Committee's discretion.

The Group provides indemnity insurance for the benefit of the Directors of the Group. For the year to 30 June 2012, the policy cost £6,360 (2011: £4,800).

Details of Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report set out on pages 13 to 15.

GROUP'S POLICY ON PAYMENT OF CREDITORS

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 30 June 2012 were equivalent to 34 days' purchases (2011: 35 days).

Trade creditors of the Group at 30 June 2012 were equivalent to 59 days' purchases (2011: 58 days), based on the average daily amount invoiced by suppliers during the year.

CORPORATE GOVERNANCE

Tristel plc is committed to maintaining high standards of corporate governance and has applied strong and appropriate policies, given the size of the Group, its current stage of development and the constitution of the Board, to reinforce its commitment to corporate governance and is detailed in the Corporate Governance Report.

SUBSTANTIAL SHAREHOLDINGS

Except for the interests noted above, the Directors are aware of the following who are interested in 3% or more of the Company's equity at 30 September 2012:

	No. of shares	% of issued share capital
Downing LLP	3,247,521	8.12%
Amarti Global investors Ltd	2,516,046	6.29%
ISIS Equity partners LLP	2,176,842	5.44%
Unicorn Asset Management	1,635,329	4.09%
Investec Wealth & Investment Limited	1,388,515	3.47%

Tristel plc
Report of the Directors (continued)
For the year ending 30 June 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under this law, the Directors have to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors have elected to prepare the parent company financial statements in accordance with IFRSs. Under company law, the Directors must not approve the financial statements unless they are satisfied that they provide a true and fair view of the state of affairs and 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 apply them consistently;

- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 Group will continue in business.

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

The Directors confirm that:

- as far as each Director is aware there is no relevant audit information of which the Company auditors are unaware;
- the Directors have taken all necessary steps in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from that in other jurisdictions.

AUDITORS

Grant Thornton UK LLP has expressed a willingness to continue in office. In accordance with section 489 (4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting

ON BEHALF OF THE BOARD:

Elizabeth Dixon
Director
26 October 2012

Independent Auditor's Report to the Members of Tristel plc For the year ending 30 June 2012

Independent Auditor's Report to the Members of Tristel plc

We have audited the financial statements of Tristel plc for the year ending 30 June 2012, which comprise the consolidated income statement; the consolidated statement of comprehensive income; the consolidated and parent company statements of changes in equity; the consolidated and parent company balance sheets; the consolidated and parent company cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they provide a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion:

- the financial statements provide a true and fair view of the state of the Group's, and the parent company's, affairs as at 30 June 2012, and of the Group's profit for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance within the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion, the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the members of Tristel plc (continued)

For the year ending 30 June 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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;
- the parent company financial statements are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specified by law are not made;
- we have not received all the information and explanations required for our audit.

Paul Naylor
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
26 October 2012

Tristel plc
Consolidated Income Statement
For the year ending 30 June 2012

	Note	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Revenue		10,939	9,287
Cost of sales		(3,511)	(3,387)
Gross profit		7,428	5,900
Other operating income		-	3
Administrative expenses:			
Share-based payments		14	(29)
Depreciation, amortisation and impairment		(1,050)	(663)
Other		(5,635)	(4,689)
Non-recurring items	5	(174)	-
Total administrative expenses		(6,845)	(5,381)
Operating profit		583	522
Finance income	4	7	12
Finance costs	4	(13)	(28)
Results from equity accounted associate	14	1	2
Profit before tax		578	508
Taxation	7	91	(71)
Profit for the year		669	437
Attributable to:			
Non-controlling interests		(38)	(39)
Equity holders of parent		707	476
		669	437
Earnings per share from total and continuing operations attributable to equity holders of the parent			
Basic – pence	10	1.77	1.27
Diluted – pence	10	1.77	1.21

All amounts relate to continuing operations.

Tristel plc
Consolidated Statement of Comprehensive Income
For the year ending 30 June 2012

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Profit for the period	669	437
Other comprehensive income		
Exchange differences on translation of foreign operations	(5)	(73)
Total comprehensive income for the period	<u>664</u>	<u>364</u>
Attributable to:		
Non-controlling interests	(42)	(39)
Equity holders of the parent	706	403
	<u>664</u>	<u>364</u>

The notes form part of these financial statements

Tristel plc
Consolidated Statement of Changes in Equity
For the year ending 30 June 2012

	Share capital	Share premium account	Merger reserve	Foreign exchange reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
30 June 2010	332	5,550	478	-	2,142	8,502	(8)	8,494
Transactions with owners								
Dividends paid	-	-	-	-	(638)	(638)	-	(638)
Shares issued	68	3,601	-	-	-	3,669	-	3,669
Share-based payments – IFRS 2	-	-	-	-	29	29	-	29
Total transactions with owners	68	3,601	-	-	(609)	3,060	-	3,060
Profit for the year ending 30 June 2011	-	-	-	-	476	476	(39)	437
Other comprehensive income:- Exchange differences on translation of foreign operations	-	-	-	(73)	-	(73)	-	(73)
Total comprehensive income	-	-	-	(73)	476	403	(39)	364
30 June 2011	400	9,151	478	(73)	2,009	11,965	(47)	11,918
Transactions with owners								
Dividends paid	-	-	-	-	(156)	(156)	-	(156)
Share-based payments – IFRS 2	-	-	-	-	(14)	(14)	-	(14)
Total Transactions with owners	-	-	-	-	(170)	(170)	-	(170)
Profit for the year ending 30 June 2012	-	-	-	-	707	707	(38)	669
Other comprehensive income:- Exchange differences on translation of foreign operations	-	-	-	(1)	-	(1)	(4)	(5)
Total comprehensive income	-	-	-	(1)	707	706	(42)	664
30 June 2012	400	9,151	478	(74)	2,546	12,501	(89)	12,412

The notes form part of these financial statements

Tristel plc
Company Statement of Changes in Equity
For the year ending 30 June 2012

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
30 June 2010	332	5,550	1,643	7,525
Transactions with owners:-				
Dividends paid	-	-	(638)	(638)
Shares issued	68	3,601	-	3,669
Share-based payments – IFRS 2	-	-	29	29
Total transactions with owners	68	3,601	(609)	3,060
Profit and total comprehensive income for the year ending 30 June 2011	-	-	639	639
Exchange differences on translation of foreign currencies	-	-	(19)	(19)
30 June 2011	400	9,151	1,654	11,205
Transactions with owners:-				
Dividends paid	-	-	(156)	(156)
Shares issued	-	-	-	-
Share-based payments – IFRS 2	-	-	(14)	(14)
Total transactions with owners	-	-	(170)	(170)
Profit and total comprehensive income for the year ending 30 June 2012	-	-	655	655
30 June 2012	400	9,151	2,139	11,690

The notes form part of these financial statements

Tristel plc
Consolidated Balance Sheet
As at 30 June 2012

	Note	2012 £'000	2011 £'000
Non-current assets			
Goodwill	11	779	779
Intangible assets	12	6,898	6,843
Property, plant and equipment	13	1,505	1,496
Investments accounted for using the equity method	14	45	45
Deferred tax	22	-	11
		<u>9,227</u>	<u>9,174</u>
Current assets			
Inventories	15	1,979	1,613
Trade and other receivables	16	2,831	2,685
Cash and cash equivalents	17	705	441
		<u>5,515</u>	<u>4,739</u>
Total assets		<u>14,742</u>	<u>13,913</u>
Capital and reserves			
Share capital	23	400	400
Share premium account		9,151	9,151
Merger reserve		478	478
Foreign exchange reserve		(74)	(73)
Retained earnings		2,546	2,009
		<u>12,501</u>	<u>11,965</u>
Non-controlling interests		<u>(89)</u>	<u>(47)</u>
		<u>12,412</u>	<u>11,918</u>
Current liabilities			
Trade and other payables	18	1,916	1,879
Interest bearing loans and borrowings	19	82	49
Current tax	22	31	-
		<u>2,029</u>	<u>1,928</u>
Non-current liabilities			
Interest bearing loans and borrowings	19	83	67
Deferred tax	22	218	-
Total liabilities		<u>2,330</u>	<u>1,995</u>
Total equity and liabilities		<u>14,742</u>	<u>13,913</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26 October 2012, and were signed on its behalf by:

Elizabeth Dixon
Director

The notes form part of these financial statements

Tristel plc
Company Balance Sheet
As at 30 June 2012

	Note	2012 £'000	2011 £'000
Non-current assets			
Intangible assets	12	3,480	3,543
Investments	14	1,949	1,963
Deferred tax	22	13	18
		<u>5,442</u>	<u>5,524</u>
Current assets			
Trade and other receivables	16	6,326	5,576
Cash and cash equivalents	17	-	165
		<u>6,326</u>	<u>5,741</u>
Total assets		<u><u>11,768</u></u>	<u><u>11,265</u></u>
Capital and reserves			
Share capital	23	400	400
Share premium account		9,151	9,151
Retained earnings		2,139	1,654
		<u>11,690</u>	<u>11,205</u>
Current liabilities			
Trade and other payables	18	39	-
Interest bearing loans and borrowings	19	8	60
Current tax liabilities		31	-
Total liabilities		<u>78</u>	<u>60</u>
Total equity and liabilities		<u><u>11,768</u></u>	<u><u>11,265</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 26 October 2012, and were signed on its behalf by:

Elizabeth Dixon
Director

Registered number 04728199 (England & Wales)

The notes form part of these financial statements

Tristel plc
Consolidated Cash Flow Statement
For the year ending 30 June 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operating activities	i	1,148	589
Corporation tax received/(paid)		351	(591)
		<u>1,499</u>	<u>(2)</u>
Cash flows used in investing activities			
Interest received		7	12
Purchase of intangible assets		(630)	(1,533)
Acquisition of investments		-	(4)
Purchases of property, plant and equipment		(407)	(880)
Proceeds from sale of property, plant and equipment		38	20
Net cash used in investing activities		<u>(992)</u>	<u>(2,385)</u>
Cash flows from financing activities			
Loans received		-	148
Loans repaid		(83)	(1,288)
Interest paid		(13)	(28)
Share issues		-	3,900
Cost of share issues		-	(231)
Dividends paid		(156)	(638)
Net cash (used in)/from financing activities		<u>(252)</u>	<u>1,863</u>
Net increase/(decrease) in cash and cash equivalents			
		255	(524)
Cash and cash equivalents at the beginning of the period	ii	441	986
Exchange differences on cash and cash equivalents		9	(21)
Cash and cash equivalents at the end of the period	ii	<u>705</u>	<u>441</u>

The notes form part of these financial statements

i. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2012 £'000	2011 £'000
Profit before tax	578	508
Depreciation of plant, property & equipment	499	392
Amortisation of intangible assets	551	271
Results from associates	(1)	(2)
Share-based payments – IFRS2	(14)	29
Profit on disposal of property, plant and equipment	(8)	(5)
Loss on disposal of intangible asset	24	-
Government grants	-	(3)
Finance costs	13	28
Finance income	(7)	(12)
	<u>1,635</u>	<u>1,206</u>
Increase in inventories	(366)	(225)
Increase in trade and other receivables	(146)	(641)
Increase in trade and other payables	25	249
Cash generated from operations	<u><u>1,148</u></u>	<u><u>589</u></u>

ii. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash-flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts.

Year ending 30 June 2012	30 June 2012 £'000	30 June 2011 £'000
Cash and cash equivalents	705	441
	<u>705</u>	<u>441</u>
Year ending 30 June 2011	30 June 2011 £'000	30 June 2010 £'000
Cash and cash equivalents	441	986
	<u>441</u>	<u>986</u>

The notes form part of these financial statements

Tristel plc
Company Cash-Flow Statement
For the year ending 30 June 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated from operating activities	a	(79)	(3,196)
Corporation tax paid		96	(355)
		<u>17</u>	<u>(3,551)</u>
Cash flows from investing activities			
Purchase of intangible assets		(36)	(99)
Acquisition of investments		-	(15)
Interest received		5	3
Net cash used in investing activities		<u>(31)</u>	<u>(111)</u>
Cash flows from financing activities			
Shares issued		-	3,900
Cost of share issue		-	(231)
Dividends paid		(156)	(638)
Interest paid		(3)	-
Net cash (used in)/from financing activities		<u>(159)</u>	<u>3,031</u>
Net (decrease)/increase in cash and cash equivalents		(173)	(631)
Cash and cash equivalents at the beginning of the period	b	<u>165</u>	<u>796</u>
Cash and cash equivalents at the end of the period	b	<u>(8)</u>	<u>165</u>

The notes form part of these financial statements

a. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2012 £'000	2011 £'000
Profit before tax	596	648
Amortisation of intangibles	99	90
Impairment of investment	-	-
Finance costs	3	-
Finance income	(5)	(3)
	<u>693</u>	<u>735</u>
Increase in trade and other receivables	(750)	(3,771)
Decrease in trade and other payables	(22)	(160)
Cash generated from operations	<u><u>(79)</u></u>	<u><u>(3,196)</u></u>

b. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash-flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts.

	30 June 2012 £'000	30 June 2011 £'000
Year ending 30 June 2012		
Cash and cash equivalents	(8)	165
	<u>(8)</u>	<u>165</u>
Year ending 30 June 2011		
Cash and cash equivalents	165	796
	<u>165</u>	<u>796</u>

The notes form part of these financial statements

1. ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Changes in Accounting Policies

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the IASB, which are relevant to, and effective for, the Group's financial statements for the annual period beginning 1 July 2011:

Amendment to IAS 24 • Related party disclosures

Amendment to IFRS 7 • Transfers of financial assets

IAS 24 – Revised IAS 24: Related Party Disclosures (effective 1 January 2011)

The standard requires disclosures about transactions and outstanding balances with an entity's related parties. The standard defines various classes of entities and people as related parties, and sets out the disclosures required in respect of those parties, including the compensation of key management personnel. No material impact was expected.

IFRS 7 (Amendment) – Disclosures of Financial Assets (effective 1 January 2011)

The amendment requires an entity to disclose information related to the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities. There is no effect on the company's financial statements.

Basis of Consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June 2012. Subsidiaries are entities over which the Group has the power to control the financial and operating policies in order to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. This involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

1. ACCOUNTING POLICIES (continued)

Business Combinations Completed Prior to the Date of Transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 30 June 2005.

Accordingly, the classification of the combination (acquisition, or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax is adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

The transitional provisions used for past business combinations apply equally to past acquisitions of interests in associates and joint ventures.

Associates

Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor interests in joint ventures. Investments in associates are recognised initially at cost, and the results of the associate are subsequently accounted for using the equity method. Acquired investments in associates are also subject to purchase method accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognised as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Unless otherwise stated, changes resulting from the profit or loss generated by the associates are reported in "share of profits of associates" in the consolidated income statement and, therefore, affect the Group's net results. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Items that have been recognised directly in the associates' equity are recognised in the consolidated equity of the Group. However, when the Group's share of losses in an associate equals or exceeds its interest, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after it equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of associates have been adjusted, where necessary, to ensure consistency with the accounting policies adopted by the Group.

Significant Judgements and Estimates

The preparation of financial statements in conformity with IFRS management is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1. ACCOUNTING POLICIES (continued)

Significant Judgements and Estimates (continued)

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Directors consider that the key judgements and sources of estimation made in preparation of the financial statements relate to the following:

Intangible assets, goodwill and investments

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit, based on expected future cash flow and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future results and determination of a suitable discount rate.

Research and development

Judgement is required when distinguishing the research and development phases of new product design projects, and determining whether the recognition requirements for capitalisation of the development costs are met.

Useful life of property, plant and equipment

Management reviews the economic lives attributable to depreciable assets on an on-going basis to ensure they are appropriate. Changes in economic life could impact the carrying value and changes to the income statement in future periods.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income, against which the deferred tax assets can be utilised.

Share-based payments

In accordance with IFRS 2, share options are measured at their fair value at the date of grant. The fair value is then expensed in the income statement on a straight-line basis over the vesting period. The fair value of share options is calculated using the Black-Scholes pricing model. The valuation of share-based payments requires judgements to be made in respect of the number of options that are expected to be exercised. Changes in these assumptions could result in changes to amounts expensed in the income statement on future periods.

Inventories

Where inventory items are considered to be slow moving or obsolete, a provision is made against the carrying amount included within the Inventory balance. During the year, a provision of this nature was made in relation to 25% of the stock of Tristel Shine machines, amounting to £72,000.

Non-recurring items

Where income or expenses shown within the income statement are considered to be both material and unusual, and Management considers that separate disclosure of the income or expense will aid the reader in understanding the financial position of the company, the item is disclosed under the heading "non-recurring items". Full details of non-recurring items are given in notes separate to the accounts.

Revenue

Revenue is the amount receivable by the Group in the ordinary course of business with outside customers for the Group's products and for ancillary goods provided, excluding value added tax and trade discounts. Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, which is generally when the customer has taken undisputed delivery of the goods. The Group acts as principal for all revenues, and its terms throughout the different sectors are identical. The Group acts as the European distributor for Bio-Cide International and incurs all the significant risks and rewards of ownership, such as sole rights to the revenue and associated profits, whilst accepting the costs buying, storing (including insurance) and distributing the relevant stock holding.

Where the Group generates revenue from after-sales service and maintenance contracts, consideration is initially deferred, included in other liabilities and is recognised in revenue on a straight-line basis over the terms of the agreement.

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

1. ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising from consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised initially as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment, at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit acquired. These are tested annually for impairment, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. The details of these assumptions are set out in note 11.

Intangible Assets

Patents, trademarks and licences

Patents, trademarks and licences that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged over the useful life of the asset, on a straight-line basis of between 7 and 20 years.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off as incurred, except where the Directors are satisfied, having due regard to the nature and scope of each development project assessed, as to the technical, commercial and financial feasibility of the project. In such cases, the identifiable expenditure of the relevant project is deferred and amortised over the period during which the Group is expected to benefit, as administration costs, as detailed below. Provision is made for any impairment. The amortisation of all intangible assets is charged to administrative expenses in the income statement on a straight-line basis of between 7 years and the indefinite life of the asset.

Development costs incurred are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself; or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

In determining the amortisation policy of an intangible asset, its estimated useful economic life, in terms of years or the number of stock units likely to be sold, is considered. Where a finite useful economic life of the asset can be estimated, amortisation is calculated from the point at which the asset is brought into use, and charged to the income statement over its lifetime. Where it is considered that an intangible asset has an indefinite useful economic life, no amortisation is charged. Instead, in accordance with IAS 36 the asset is tested annually for impairment, comparing the recoverable amount to the carrying amount. The recoverable amount is calculated by reference to future cash flows expected to be generated by the asset. Further details are set out in note 12.

During the year, the amortisation policy of development costs relating to the Stella range of products was revised from a unit of sale basis, whereby the asset was written off over 5,000 units, to a 15 year straight-line basis, from when the asset was first available for use. Management believes this amendment, which is derived from the expected useful life of the Stella production tooling, reflects a more appropriate method of amortisation. Amortisation for the year has increased by £60,000 as a result of this change in policy.

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

1. ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment are held at cost less accumulated depreciation and impairment losses. Depreciation is provided at the following annual rates in order to write off each asset less the estimated residual value of property, plant and equipment over their estimated useful economic lives, as follows:

Buildings	- Straight line over 25 years
Short leasehold and improvements to property	- Straight line over the lease term
Plant and machinery	- Straight line over 3 and 5 years
Fixtures and fittings	- Straight line over 4 and 5 years
Motor vehicles	- Straight line over 4 years

The residual value and useful economic life of property, plant and equipment are reviewed annually.

Impairment of Tangible and Intangible Assets, Excluding Goodwill

At each balance sheet date the Group reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Foreign Currency Translation

The consolidated financial statements are presented in GBP, which is also the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in a foreign currency at year-end exchange rates are recognised in profit or loss.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than GBP are translated into GBP upon consolidation. The functional currencies of the subsidiary entities in the Group have remained unchanged during the reporting period. Due to the nature of the setup of the German branch as a sales and marketing centre for Tristel Solutions Limited, the functional currency of this branch is considered to be Sterling

On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Income and expense items are translated at the average exchange rate. Exchange differences are charged or credited to other comprehensive income and recognised in the foreign currency reserve in equity.

Inventories

Inventories are valued on a first-in, first-out basis (FIFO) at the lower of cost and net realisable value. Cost includes materials and direct labour. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving and defective items where applicable.

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

1. ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash held by the Group and short-term, on-demand bank deposits with an original maturity of three months or less. The assets are subject to an insignificant risk of change in value. The carrying amount of these assets approximates to their fair value.

Leased Assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and building elements according to the relative fair values of the leasehold interests at the date of entering into the lease agreement.

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic life. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged profit/(loss) on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

Financial Instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control, or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date; i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value, plus any directly-attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial liability is an obligation to pay cash or other financial assets, an equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities and equity instruments are classified according to the substance of the contracted arrangements entered into. All interest-related charges arising from borrowings, and any changes in an instruments fair value that are reported in profit or loss are included within finance costs or finance income.

Trade and Other Receivables

Trade and other receivables are recognised initially at fair value, plus transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Trade and Other Payables

Trade and other payables are recognised initially at fair value, net of direct issue costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Dividends

Final dividends are recognised as a liability in the Group's financial statements during the period in which the dividends are approved by shareholders, while interim dividends are recognised in the period in which the dividends are paid.

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

1. ACCOUNTING POLICIES (continued)

Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares.
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Merger reserve” represents merger relief taken in respect of the premium paid on the issue of shares to finance the acquisition of a subsidiary undertaking prior to the Group’s IFRS transition date.
- “Retained earnings” represents all current and prior period profits, losses and share-based payments.
- “Foreign exchange reserve” comprises foreign currency translation into GBP of the financial statements of the Group’s foreign entities.

Taxation

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated according to local tax rules, using tax rates enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which an asset can be utilised. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

Share-Based Payments

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period on the Group’s estimate of shares or options that will eventually vest. In the case of options granted, the fair value is measured by a Black-Scholes pricing model. Further details are set out in note 23.

Where options are granted over the parent company shares to employees of subsidiary undertakings, the cost of investment in the subsidiary is increased by the fair value of the options granted and assessed for impairment in accordance with IAS 36.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense and are charged to the income statement as incurred.

Pension Costs

For money purchase schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments in the balance sheet.

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

1. ACCOUNTING POLICIES (continued)

Non-Recurring Items

Singular events that create a cost, such as restructuring of a department, or the establishment of new supply routes are deemed to be non-recurring in nature and are disclosed as such in the income statement. See note 5 for further details.

EU adopted IFRSs not yet applied

As of 30 June 2012, the following Standards and Interpretations have been issued but are not yet effective and have not been adopted early by the Group:

- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- IFRS 11 Joint arrangements (effective 1 January 2013)
- IAS 12 Presentation of items of Other Comprehensive Income (effective 1 July 2012)
- Annual Improvements 2009-2011 (effective 1 January 2013).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material effect on the financial statements of the Group.

2. SEGMENTAL ANALYSIS

Management considers the Group's revenue lines to be split into three operating segments, which span the different Group entities. The operating segments consider the nature of the product sold, the nature of production, the class of customer and the method of distribution. The Group's operating segments are identified from the information reported to the chief operating decision maker.

The first segment concerns the manufacture, development and sale of infection control and hygiene products that incorporate the Company's chlorine dioxide chemistry, and are used primarily for infection control in hospitals ("Human Healthcare"). This segment generates approximately 83% of Group revenues.

The second segment, which constitutes 15% of the business activity, relates to manufacture and sale of disinfection and cleaning products, principally into veterinary and animal welfare sectors ("Animal healthcare"). During the year, a change was made to the distribution model employed by the company in the sale of these products, whereby direct supply to the market place was instigated in place of the distributor channel previously employed.

The third segment addresses the pharmaceutical and personal care product manufacturing industries ("Contamination control"). This was a new activity in the previous year and has generated 2% of the Group's revenues this year.

Within the hospital community, different aspects of infection control can be categorised into "vectors" or "routes of transmission" of infection. References to these "vectors" are made within the Chief Executive's Report on pages 5 to 11. However, the Group does not report separately upon the vectors within its internal management information, and does not consider them to be separate sectors for the purposes of IFRS 8.

The operation is monitored and measured on the basis of the key performance indicators of each segment, these being revenue and gross profit, and strategic decisions are made on the basis of revenue and gross profit generating from each segment.

The Group's centrally-incurred administrative expenses and operating income, and assets and liabilities, are not attributable to individual segments.

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

2. SEGMENTAL ANALYSIS (continued)

	Human Healthcare £'000	Animal Healthcare £'000	Contamination Control £'000	Group 2012 £'000	Human Healthcare £'000	Animal healthcare £'000	Contamination Control £'000	Group 2011 £'000
Revenue from external customers	9,038	1,666	235	10,939	7,163	2,086	38	9,287
Segment revenues	9,038	1,666	235	10,939	7,163	2,086	38	9,287
Cost of material	2,690	698	123	3,511	2,370	1,004	13	3,387
Gross Profit	6,348	968	112	7,428	4,793	1,082	25	5,900
Gross Profit %	70%	58%	48%	68%	67%	52%	66%	64%

Centrally-incurred income and expenses not attributable to individual segments:

Other operating income	-							3
Depreciation and amortisation of non-financial assets			(1,050)					(663)
Other administrative expenses			(5,635)					(4,689)
Non-recurring items			(174)					-
Share based payments			14					(29)
Segment operating profit			583					522

Segment operating profit can be reconciled to Group profit before tax as follows:

Segmental operating profit	583							522
Finance income	7							12
Results from equity accounted associate	1							2
Finance costs	(13)							(28)
Group profit before tax	578							508

The Group's revenues from external customers are divided into the following geographical areas:

	Human Healthcare £'000	Animal Healthcare £'000	Contamination Control £'000	Group 2012 £'000	Human Healthcare £'000	Animal healthcare £'000	Contamination Control £'000	Group 2011 £'000
United Kingdom	7,138	1,486	199	8,823	6,159	2,086	38	8,283
Rest of the World	1,900	180	36	2,116	1,004	-	-	1,004
Group revenues	9,038	1,666	235	10,939	7,163	2,086	38	9,287

Tristel plc
Notes to the Consolidated Financial Statements (continued)
For the year ending 30 June 2012

2. SEGMENTAL ANALYSIS (continued)

Revenues from external customers in the Group's domicile – "United Kingdom" - as well as its other major markets - "Rest of the World" – have been identified on the basis of internal management reporting systems, which are also used for VAT purposes.

Human healthcare revenues were derived from a large number of customers, including £3.629m from a single customer, which makes up 40.2% of this segment's revenue (2011: £1.591m being 22.4%). Animal healthcare revenues were derived from a number of customers, with the largest customer accountable for £1.404m, representing 84.3% of turnover (2011: 100% from a single customer).

During the year, 33.2% of the Group's revenues were earned from a single customer (2011: 22.8%).

The Group's non-current assets are divided into the following geographical areas:

	2012	2011
	£'000	£'000
United Kingdom	8,996	9,103
Rest of the World	231	71
Non-current assets	<u>9,227</u>	<u>9,174</u>

3. EMPLOYEES AND DIRECTORS

Group	2012	2011
	£'000	£'000
Wages and salaries	3,018	2,350
Social security costs	277	224
Other pension costs	101	66
	<u>3,396</u>	<u>2,640</u>

An amount of £44,000 is disclosed within wages and salaries, this amount forms part of the non-recurring items charged in the period.

The credit of £14,000 (2011: £29,000 charge) to share-based payments in accordance with IFRS 2 arises from transactions accounted for as equity-settled share-based payments. This is included within the wages and salaries detailed above. No remuneration is paid through the company.

The average monthly number of employees during the year was as follows:

	2012	2011
	Number	Number
Executive Directors	2	2
Non-Executive Directors	5	5
Sales and Marketing	34	26
Administration	17	28
Production	38	29
	<u>96</u>	<u>90</u>

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2012

3. EMPLOYEES AND DIRECTORS (continued)

2012	2011
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Directors' emoluments	£'000	£'000
	347	355
Aggregate pension contributions to money purchase schemes	32	28
	<u>379</u>	<u>383</u>
	2012	2011
	Number	number
The number of Directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	<u>2</u>	<u>2</u>
Remuneration of the highest paid Director during the year was:	2012	2011
	£'000	£'000
Emoluments	168	172
Aggregate contributions to money purchase schemes	21	21
	<u>189</u>	<u>193</u>

Remuneration by Director is detailed in the Directors' Remuneration Report on pages 13 to 15.

Key management compensation	2012	2012	2011	2011
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Short-term employee benefits	520	-	393	-
Post-employment benefits	43	-	28	-
Share-based payments IFRS 2	1	-	9	-
	<u>564</u>	<u>-</u>	<u>430</u>	<u>-</u>

The key management figures given above include Directors.

Company

The Company had no employees during the year. Directors of the Company were remunerated through its subsidiary. An immaterial amount of this remuneration is considered to be in relation to Tristel plc the Company.

4. FINANCE INCOME AND COSTS

	2012	2011
	£'000	£'000
Finance income:		
Deposit account interest	5	10
Staff loan interest	1	1
Other interest	1	1
	<u>7</u>	<u>12</u>
Finance costs:		
Bank interest	<u>(13)</u>	<u>(28)</u>

Tristel plc
Notes to the Consolidated Financial Statements (continued)
For the year ending 30 June 2012

5. NON-RECURRING ITEMS

As a result of a change to the supply route for the Group's veterinary products, the Group incurred costs which Management considers to be non-recurring. These relate to legal advice and the write off of obsolete inventory, amounting to £54,758 (2011: £nil).

In addition, during the year, the Group carried out a re-structuring of its engineering function, resulting in a provision against slow-moving inventory held at the year end and staff redundancy costs, which in aggregate amount to £119,583 (2011: £nil).

6. PROFIT BEFORE TAX

The profit before tax is stated after charging/(crediting):	2012	2011
	£'000	£'000
Cost of inventories recognised as expense	2,638	2,495
Depreciation - owned assets	449	392
Depreciation – finance leased assets	50	-
Profit on disposal of property, plant & equipment	(8)	(5)
Loss on disposal of intangible assets	24	-
Patents and licences amortisation	104	106
Development costs amortisation	447	165
Auditor's remuneration	47	43
Foreign exchange (gain)/loss	33	(88)
Operating lease rentals - land and buildings	225	204
- vehicles and equipment	39	33
Research costs expensed	53	98

A more detailed analysis of auditor's remuneration is provided below:

	2012	2011
	£'000	£'000
Audit services		
- Audit of these financial statements	20	16
- Audit of financial statements of subsidiaries	21	21
	41	37
Non-audit services		
- Taxation services (parent and subsidiaries)	3	3
- Other services	3	3
	6	6
	47	43

7. **TAXATION**

The taxation (credit)/charge represents:

	2012	2011
	£'000	£'000
Current taxation:-		
Corporation tax	34	5
Adjustment in respect of earlier years	<u>(354)</u>	<u>3</u>
Total current tax	<u>(320)</u>	<u>8</u>
Deferred tax:-		
Origination and reversal of temporary differences	<u>229</u>	<u>63</u>
Total deferred tax	<u>229</u>	<u>63</u>
Total tax (credit)/charge in Income Statement	<u><u>(91)</u></u>	<u><u>71</u></u>

Factors affecting the tax (credit)/charge:

The tax assessed for the year differs from the standard rate of Corporation Tax in the UK. The difference is explained below:

	2012	2011
	£'000	£'000
Profit on ordinary activities before tax	<u>578</u>	<u>508</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.5% (2011: 28%)	147	142
Effects of:		
Expenses not deductible for tax purposes	78	50
Different rate tax bands and change in tax rates	(21)	(20)
Enhanced relief on qualifying scientific research expenditure	(114)	(153)
Adjustment in respect of prior years	(354)	3
Tax losses not utilised and other timing differences	<u>173</u>	<u>49</u>
Total tax (credit)/charge for year	<u><u>(91)</u></u>	<u><u>71</u></u>

The adjustment in respect of earlier years relates to previous R&D tax claims received in the year.

8. **PARENT COMPANY INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £0.655m (2011: £0.639m).

9. **DIVIDENDS**

	2012	2011
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2011 of 0.12p (2010: 1.4p) per share	48	464
Interim dividend for the year ended 30 June 2012 of 0.27p (2011: 0.435p) per share	108	174
	<u>156</u>	<u>638</u>
Proposed final dividend for the year ending 30 June 2012 of 0.35p (2011: 0.12p) per share	<u>140</u>	<u>48</u>

The proposed final dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and has not been included as a liability in the financial statements.

10. **EARNINGS PER SHARE**

The calculations of earnings per share are based on the following profits and numbers of shares:

	2012	2011
	£'000	£'000
Retained profit for the financial year attributable to equity holders of the parent company	<u>707</u>	<u>476</u>
	Shares	Shares
	'000	'000
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	39,985	37,305
Effect of dilutive potential ordinary shares		
Share options	<u>-</u>	<u>1,985</u>
	<u>39,985</u>	<u>39,290</u>
Earnings per ordinary share		
Basic	1.77p	1.27p
Diluted	<u>1.77p</u>	<u>1.21p</u>

The calculation of diluted earnings per share includes outstanding options of nil ordinary shares at 30 June 2012 (30 June 2011: 2,075,000).

11. **GOODWILL**

Group	Total £'000
Cost and Net book value	
At 30 June 2012	779
At 30 June 2011	779

The acquired goodwill in respect of Newmarket Technologies Limited (NTL), formerly Tristel Technologies Limited, has been tested for impairment in accordance with IAS 36.

On 30 April 2010, the activities of NTL were hived over to Tristel Solutions Limited. The relevant revenue lines associated with this asset are separately identifiable as a single cash-generating unit and form the basis of impairment testing. The asset has been evaluated by reference to actual performance against forecast of the CGU for the previous year, and in respect of forecasts for the five years ending 30 June 2017. The Board have estimated that relevant revenue generation will continue for a minimum of five years from the balance sheet date. The forecasts assume static revenue and gross margin levels, derived from the historic performance of the CGU.

In evaluating the present value of the future cash flows, a discount rate of 10% has been adopted. Management estimates discount rates that reflect the market assessments of the time value of money, and the risks specific to the NTL cash generating unit.

In order to check for sensitivity, the impairment review has assumed a 15% reduction in revenue, a 10% reduction in gross margin, and a reduction in the life of the asset to four years from the balance sheet date. Further sensitivity analysis, increasing the discount rate to 15%, has been performed. The impairment review and the sensitivities thereon indicate that the value of future cash flows, based on value in use calculations, continues to exceed the carrying value of the asset. As such, in the opinion of the Directors, no goodwill impairment exists.

Company

The Company has no goodwill to account for.

12. **INTANGIBLE ASSETS**

Included within intangible assets is the cost of manufacturing rights and know-how to a range of disinfection and cleaning products which address the animal healthcare market. The carrying amount of this asset is £2,510,681. This acquired intellectual property has an indefinite life and, as such, has been tested for impairment in accordance with IAS 36. For this purpose, the value of the asset has been evaluated by referencing the benefits of future profit and cash flows arising from sales of the products over a five-year period. Historic trading performance has been referred to in forecasting future turnover and gross margin percentages. These forecasts have been supported by performance in the post-balance sheet period.

Following a change in the supply route of these products during the year, to now address the end-user market, the forecasts assume revenue growth and an increased gross margin. In order to check for sensitivity, the impairment review has static revenue and a reduction in gross margin, after which the current value of future cash flows, based on value in use calculations, continues to exceed the carrying value of the asset. As such, in the opinion of Management, no intangible asset impairment is deemed necessary.

In evaluating the present value of future cash flows, a discount rate of 10% has been adopted. Management estimates discounts rates that reflect the market assessments of the time value of money and the risks specific to this cash-generating unit.

12. INTANGIBLE ASSETS (continued)

Group	Patents and licences £'000	Development – Marketable products £'000	Development – Products in development £'000	Totals £'000
Cost				
At 30 June 2010	4,354	1,829	180	6,363
Reclassification	-	59	(59)	-
Additions	99	1,794	71	1,964
At 30 June 2011	4,453	3,682	192	8,327
Reclassification	-	74	(74)	-
Additions	60	472	98	630
Disposal	(24)	-	-	(24)
At 30 June 2012	4,489	4,228	216	8,933
Amortisation				
At 30 June 2010	792	346	75	1,213
Charge for year	106	165	-	271
At 30 June 2011	898	511	75	1,484
Charge for year	104	447	-	551
At 30 June 2012	1,002	958	75	2,035
Net book value				
At 30 June 2012	3,487	3,270	141	6,898
At 30 June 2011	3,555	3,171	117	6,843

12. INTANGIBLE ASSETS (continued)

Company	Patents and licences £'000	Totals £'000
Cost		
At 30 June 2010	4,111	4,111
Additions	99	99
At 30 June 2011	4,210	4,210
Additions	36	36
At 30 June 2012	4,246	4,246
Amortisation		
At 30 June 2010	577	577
Charge for year	90	90
At 30 June 2011	667	667
Charge for year	99	99
At 30 June 2012	766	766
Net book value		
At 30 June 2012	3,480	3,480
At 30 June 2011	3,543	3,543

13. PROPERTY, PLANT AND EQUIPMENT

	Improvements to property £'000	Plant and machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
Cost					
At 30 June 2010	449	999	117	256	1,821
Net exchange differences	-	2	-	2	4
Additions	434	187	25	234	880
Disposals	-	-	-	(69)	(69)
At 30 June 2011	883	1,188	142	423	2,636
Net exchange differences	-	-	-	(1)	(1)
Additions	184	202	21	132	539
Disposals	-	-	-	(108)	(108)
At 30 June 2012	1,067	1,390	163	446	3,066
Depreciation					
At 30 June 2010	111	501	82	106	800
Net exchange differences	-	2	-	-	2
Eliminated on disposal	-	-	-	(54)	(54)
Charge for year	83	190	21	98	392
At 30 June 2011	194	693	103	150	1,140
Eliminated on disposal	-	-	-	(78)	(78)
Charge for year	135	244	18	102	499
At 30 June 2012	329	937	121	174	1,561
Net book value					
At 30 June 2012	738	453	42	272	1,505
At 30 June 2011	689	495	39	273	1,496

The above table includes assets held under a finance arrangement during the year, the net book value of which at the 30 June 2012 was £187,346 (2011: £129,271), on which depreciation of £49,780 was charged (2011: £33,957), classified below:

	Improvements to property £'000	Plant and machinery £'000	Fixtures & fittings £'000	Motor vehicles £'000	Totals £'000
Net book value at 30 June 2012	62	29	-	96	187
Depn charged	5	17	-	28	50

Company

No property, plant or equipment is held by the Company.

14. INVESTMENTS

Group

Investment in associate

The Group holds a 20% voting and equity interest in Tristel Italia srl, which is accounted for under the equity method.

Tristel Italia srl (Incorporated in Italy)	2012	2011
Nature of business: Supply of infection control products		
Class of shares	€1 Ordinary	€1 Ordinary
Holding	20%	20%
	2012	2011
	£'000	£'000
Assets	161	177
Liabilities	141	158
Aggregate capital and reserves	20	19
Turnover	137	171
Profit for the period	3	10
Profit for the period attributable to the Group	1	2

Company	Shares in Group undertakings and associate	Totals
	£'000	£'000
Cost		
At 30 June 2010	2,102	2,102
Share-based payment	25	25
At 30 June 2011	2,127	2,127
Share-based payment	(14)	(14)
At 30 June 2012	2,113	2,113
Impairment		
At 30 June 2010, 30 June 11 & 30 June 12	164	164
Net book value		
At 30 June 2012	1,949	1,949
At 30 June 2011	1,963	1,963

The total amount recognised in the Company balance sheet in relation to options granted over the parent company shares to employees of subsidiaries during the year amounts to a credit of £14,000 (2011: a charge of £29,000).

14. INVESTMENTS (continued)

Subsidiaries

Tristel Solutions Limited (Incorporated in England and Wales)	2012	2011
Nature of business: Supply of infection control products		
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%
Newmarket Technologies Limited - formerly Tristel Technologies Limited (Incorporated in England and Wales)	2012	2011
Nature of business: Dormant		
Class of shares	£1 Ordinary	£1 Ordinary
Holding	100%	100%
Tristel New Zealand Limited (Incorporated in New Zealand)	2012	2011
Nature of business: Supply of infection control products		
Class of shares	\$1 Ordinary	\$1 Ordinary
Holding	100%	100%
Shanghai Stella Medical Equipment Co Ltd (Incorporated in China) 100% owned by Tristel Asia Limited	2012	2011
Nature of business: Supply of infection control products		
Class of shares	¥1 Ordinary	¥1 Ordinary
Holding	85%	85%
Tristel Asia Limited (Incorporated in Hong Kong)	2012	2011
Nature of business: Supply of infection control products		
Class of shares	\$1 Ordinary	\$1 Ordinary
Holding	85%	85%
Medichem International Limited (Incorporated in England and Wales) – Not material to the group	2012	2011
Nature of business: Holder of trademarks		
Class of shares	£1 Ordinary	£1 Ordinary
Holding	50%	50%
Tristel International Limited (Incorporated in England and Wales)	2012	2011
Nature of business: Dormant		
Class of shares	£1 Ordinary	-
Holding	100%	-

15. INVENTORIES

Group	2012 £'000	2011 £'000
Raw materials	742	682
Finished goods	1,237	931
	<u>1,979</u>	<u>1,613</u>

During the year, a provision was made against slow-moving inventories of £72,000 (2011: £nil).

Company

The Company has no inventories.

16. TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Current	Group	Group	Company	Company
Trade receivables	2,028	1,984	-	-
Amounts owed by associated undertakings	88	84	88	84
Amounts owed by Group undertakings	-	-	6,070	5,366
Other receivables	210	137	156	114
Prepayments and accrued income	505	480	12	12
	<u>2,831</u>	<u>2,685</u>	<u>6,326</u>	<u>5,576</u>

Amounts owed to the Group by associated undertakings relate to the associate Tristel Italia srl.

The Directors consider that there are no irrecoverable amounts from the sale of goods, other than those already identified and included within the impairment allowance. This position has been determined by reference to past default experience.

A reconciliation of the movement in the allowance for impairment provisions for trade receivables is as follows:

	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Current	Group	Group	Company	Company
Impairment provision brought forward	(6)	(22)	-	-
Impairment losses recognised	35	16	-	-
(Increase)/decrease in provision	(48)	-	-	-
Impairment provision carried forward	<u>(19)</u>	<u>(6)</u>	<u>-</u>	<u>-</u>

The Directors consider that the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

The credit risk to the Group is primarily attributable to its trade receivables. An allowance for impairment has been made where there was an identifiable loss event which, based on previous experience, was evidence of a reduction in recoverability of the cash flows.

16. **TRADE AND OTHER RECEIVABLES (continued)**

During the previous year, in the animal healthcare segment, the Group had a single customer who owed £570,382. A change in the distribution model means that the debt is now allocated among multiple customers, thereby reducing the credit risk. In the hospital infection control segment, the credit risk is lessened due to the large number of customers. However, these are predominantly situated within a single market; healthcare.

17. **CASH AND CASH EQUIVALENTS**

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank accounts	705	441	-	165
	<u>705</u>	<u>441</u>	<u>-</u>	<u>165</u>

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with a maturity of three months or less. The carrying amount of these assets approximates to their fair value.

18. **TRADE AND OTHER PAYABLES**

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Current				
Trade payables	1,042	1,251	7	25
Amounts owed to Group undertakings	-	-	-	-
Social security and other taxes	486	371	-	-
Accruals and deferred income	388	257	32	35
	<u>1,916</u>	<u>1,879</u>	<u>39</u>	<u>60</u>

Government grants of £13,000 (2011: £nil) are included in the accruals and deferred income figure above.

19. **FINANCIAL LIABILITIES – INTEREST BEARING LOANS AND BORROWING**

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Overdrafts	-	-	8	-
Other loans	165	116	-	-

	<u>165</u>	<u>116</u>	<u>8</u>	<u>-</u>
Terms and loan repayment schedule				

The overdraft in the company is secured by a cross guarantee from Tristel Solutions Limited.

	Group		Company	
	2012 1 year or less £'000	2011 1 year or less £'000	2012 1 year or less £'000	2011 1 year or less £'000
Current				
Other loans	<u>82</u>	<u>49</u>	<u>-</u>	<u>-</u>
	<u>82</u>	<u>49</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2012 More than 1 year but less than 2 years £'000	2011 More than 1 year but less than 2 years £'000	2012 More than 1 year but less than 2 years £'000	2011 More than 1 year but less than 2 years £'000
Non-Current				
Other loans	<u>83</u>	<u>67</u>	<u>-</u>	<u>-</u>
	<u>83</u>	<u>67</u>	<u>-</u>	<u>-</u>

Other loans comprise asset finance arrangements from Lloyds TSB repayable by fixed monthly instalments over 36 months, issued to the Company's subsidiary Tristel Solutions Limited. Interest is payable at an average of 13% (2011: 11.3%). The value shown is secured against the assets under finance arrangements.

	2012
	£'000
Total of future minimum lease payments	188
Finance charges	(23)
	<u>165</u>

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Notes to the Consolidated Financial Statements (continued)
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20. FINANCIAL INSTRUMENTS

This note presents information about the Group's exposure risk, objectives, policies and processes for measuring and managing risk, and management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Financial Risks

The Group's activities expose it to a number of financial risks including credit risk, cash-flow risk and exchange-rate risk:

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is attributable primarily to its trade receivables, which are concentrated in a large number of low value customer accounts. In addition, operations in emerging or new markets may have a higher than average risk of political or economic instability, and may carry increased credit risk. In each case, the risk to the Group is the recoverability of the cash flows.

Credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The credit risk on trade and other receivables is managed by agreeing appropriate payment terms with customers; obtaining credit agency ratings of all potential customers; requiring, wherever possible, payment for goods in advance or upon delivery; and by closely monitoring customers balances due, to ensure they do not become overdue. In addition, careful consideration is given to operations in emerging or new markets before the Group enters that market.

Cash-flow risk

The Group's activities expose it primarily to the financial impact of changes in interest rates. Interest-bearing assets and liabilities are held, wherever possible, at a fixed rate to ensure certainty of cash flow. However, where borrowings are linked to base rate, consideration is given to the impact of, and potential for, fluctuation prior to entering into the arrangement. Group cash balances and expected cash flow are monitored daily to ensure the Group has sufficient available funds to meet its needs.

Exchange-rate risk

Group exposure to exchange-rate risk includes the measurement of overseas operations at the relevant exchange rate and changes in trade payables and receivables as a result of exchange-rate movements. Daily exchange-rate movements are monitored and any losses or gains incurred are taken to the income statement and reported in the Groups internal management information. Before agreeing any overseas transactions, consideration is given to utilising financial instruments, such as hedging and forward purchase contracts

Liquidity Risk

The Group's policy is to maintain a strong capital base so as to enhance investor, creditor and market confidence. Surplus funds are placed on time deposits, with cash balances available for immediate withdrawal if required.

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

20. FINANCIAL INSTRUMENTS (continued)

Capital Management

The Group's capital management policy is to maintain a strong capital base in order to enhance investor, creditor and market confidence. The Board's objective is to safeguard the Group's ability to continue as a going concern, to sustain the future development of the business and to provide returns for shareholders, whilst controlling the cost of capital.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the balance sheet.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally-imposed capital requirements.

Capital for the period is summarised below:

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Total equity	12,412	11,918	11,690	11,205
Cash and cash equivalents	(705)	(441)	-	(165)
Capital	<u>11,707</u>	<u>11,477</u>	<u>11,690</u>	<u>11,040</u>
Total equity	12,412	11,918	11,690	11,205
Borrowings	165	116	8	-
Overall financing	<u>12,577</u>	<u>12,034</u>	<u>11,698</u>	<u>11,205</u>
Capital to overall financing ratio	<u>0.93</u>	<u>0.95</u>	<u>1.00</u>	<u>0.99</u>

Financial Assets and Liabilities

The Group's activities are financed by cash from banks and borrowing.

Credit Risk

Exposure to credit

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group carrying amount		Company carrying amount	
	2012 £000	2011 £000	2012 £000	2011 £000
Cash and cash equivalents	705	441	-	165
Trade and other receivables excluding prepayments	<u>2,326</u>	<u>2,205</u>	<u>6,314</u>	<u>5,564</u>
	<u>3,031</u>	<u>2,646</u>	<u>6,314</u>	<u>5,729</u>

Tristel plc
Notes to the Consolidated Financial Statements (continued)
For the year ending 30 June 2012

20. FINANCIAL INSTRUMENTS (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Group carrying amount		Company carrying amount	
2012 £000	2011 £000	2012 £000	2011 £000

United Kingdom	1,150	1,627	6,226	5,480
Rest of the World	1,176	578	88	84
	2,326	2,205	6,314	5,564

The Group's and the Company's trade and other receivables have been reviewed for indicators of impairment. Doubtful debts of £19,000 (2011: £6,000) have been provided against, but no other receivables were considered to be impaired.

In addition, some of the unimpaired trade receivables are overdue as at the reporting date. The age of the trade receivables overdue but not impaired are as follows:

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Not overdue	2,019	1,444	6,314	5,564
Overdue 0-30 days	222	437	-	-
Overdue 31-120 days	51	259	-	-
Overdue 120 days +	34	65	-	-
	2,326	2,205	6,314	5,564

Liquidity Risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Group

	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000	More than 12 months £'000
30 June 2012					
Non-derivative financial liabilities					
Trade and other payables	1,222	1,222	1,222	-	-
Borrowings – other loans	165	188	46	46	96
	1,387	1,410	1,268	46	96
30 June 2011					
Non-derivative financial liabilities					
Trade and other payables	1,508	1,508	1,508	-	-
Borrowings – Other loans	116	129	28	27	74
	1,624	1,637	1,536	27	74

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

20. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Company	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000	More than 12 months £'000
30 June 2012					
Non-derivative financial liabilities					
Trade and other payables	<u>39</u>	<u>39</u>	<u>39</u>	<u>-</u>	<u>-</u>
30 June 2011					
Non-derivative financial liabilities					
Trade and other payables	<u>60</u>	<u>60</u>	<u>60</u>	<u>-</u>	<u>-</u>

The carrying amounts of the Group's financial assets and liabilities may also be categorised as follows:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Current assets				
Cash and cash equivalents	705	441	-	165
Trade and other receivables	2,116	2,685	6,326	5,576
	<u>2,821</u>	<u>3,126</u>	<u>6,326</u>	<u>5,741</u>

All of the above relate to the IAS 39 category, "loans and receivables".

Current liabilities

Interest-bearing loans and borrowings	82	49	-	-
Trade and other payables	1,222	1,508	38	60
	<u>1,304</u>	<u>1,557</u>	<u>38</u>	<u>60</u>

Non-current liabilities

Interest-bearing loans and borrowings	<u>83</u>	<u>67</u>	<u>-</u>	<u>-</u>
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All of the above relate to the IAS 39 category, "other financial liabilities".

Liquidity needs are managed by regular review of the timing of expected receivables and the maintenance of cash on deposit.

Tristel plc
Notes to the Consolidated Financial Statements (continued)
For the year ending 30 June 2012

20. FINANCIAL INSTRUMENTS (continued)

Interest-Rate Risk

The Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates; however, this is not a material risk to the business.

Currency Risk

The Group has a limited element of currency risk as it buys certain chemicals, parts and equipment from overseas manufacturers and sells finished products into overseas markets. However, foreign currency risk is not significant.

Interest Rate and Currency Profile

The Group's financial assets comprise cash at bank and short-term investments. At 30 June 2012, the average interest rate earned on the temporary closing balances was 0.1% (2011: 0.1%).

Sensitivity Analysis

The Group's sensitivity to interest rates and currency exchange rates are considered immaterial.

Fair Values versus Carrying Amounts

There is no difference between fair values and carrying amounts of financial assets and liabilities.

21. LEASING AGREEMENTS

Group	2012 £'000	2011 £'000
Amounts repayable under non-cancellable operating leases		
Fall due:		
Within one year	198	135
Between one and five years	505	159
In more than five years	13	-
	716	294

Leases comprise non-cancellable operating leases in relation to property and manufacturing equipment.

Company

The Company has no lease agreements.

Tristel plc
Notes to the Consolidated Financial Statements (continued)
For the year ending 30 June 2012

22. TAXATION

CURRENT TAX	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Corporation Tax at 30 June	31	-	31	-
DEFERRED TAX	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Balance at 1 July	11	74	18	27
Charge to income statement for the year	(229)	(63)	(5)	(9)

Balance at 30 June	<u>(218)</u>	<u>11</u>	<u>13</u>	<u>18</u>
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Recognised deferred tax liability/assets

Deferred tax assets are attributable to the following:

	Tax losses	Acc'd tax depr'n	Other timing differences	Group Total	Company Acc'd tax depr'n
	£'000	£'000	£'000	£'000	£'000
Balance at 30 June 2010	2	72	-	74	27
(Credited) /charged to income statement for the year	119	(36)	(146)	(63)	(9)
Balance at 30 June 2011	<u>121</u>	<u>36</u>	<u>(146)</u>	<u>11</u>	<u>18</u>
(Credited) /charged to income statement for the year	26	(32)	(223)	(229)	(5)
Balance at 30 June 2012	<u>147</u>	<u>4</u>	<u>(369)</u>	<u>(218)</u>	<u>13</u>

Other timing differences include tax relief on research and development spending.

Net deferred tax (liability)/assets

	Group £'000	Company £'000
Balance at 30 June 2012	<u>(218)</u>	<u>13</u>
Balance at 30 June 2011	<u>11</u>	<u>18</u>

The Group deferred tax assets at 30 June 2012 have been recognised at 24% (2011: 26%) as it is expected that this will be the rate applicable on reversal of the temporary differences.

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

23. CALLED-UP SHARE CAPITAL

Allotted, issued and fully paid	Number:	£
30 June 2010	33,142,596	331,426
Issued during the year	6,842,105	68,421
30 June 2011 and 30 June 2012	<u>39,984,701</u>	<u>399,847</u>

No new shares were issued during the year (2011). On 23 November 2010, the Company issued 6,842,105 new ordinary shares of 1p each for an aggregate consideration of £3,900,000. The proceeds, after the deduction of associated costs, amounted to £3,669,000, resulting in a credit to the Share Premium Account of £3,601,000. The shares were issued to reduce bank borrowings, restructure a royalty obligation and fund the expansion of the business.)

Share-Based Payments

The Group maintains two share-based payment schemes; a Senior Management Scheme and a General Employee Scheme.

The Senior Management Scheme is part of the remuneration package for the Executive Directors. Options under this scheme will vest if certain conditions defined in the programme are met. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price.

The General Employee Scheme is part of the remuneration package for certain Group employees. Options under this scheme will vest immediately upon grant, or will vest in accordance with a set timescale over 36 months. Upon vesting, each option allows the holder to purchase one ordinary share at the stated share price.

Tristel Plc
Notes to the Consolidated Financial Statements (continued)
For the year ending 30 June 2012

23. CALLED-UP SHARE CAPITAL (continued)

Share-Based Payments (continued)

During the year ending 30 June 2012, the Group and the Company had 14 share-based payment arrangements under two schemes, which are detailed below:

Type of arrangement	Senior Management Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan
Date of grant	23/12/05	23/12/05	09/02/06	30/11/07	23/7/08	19/04/09	04/08/09
Share price at grant date	45p	45p	45p	53p	42p	53p	53p
Exercise price	59.5p	53.75p	52.75p	53.75p	53.75p	53.75p	53.75p
No. of employees	1	8	2	3	1	15	1
No. of shares under option	250,000	340,000	15,000	120,000	60,000	160,000	60,000

Vesting period (from date of grant) /vesting conditions	Between 23/12/05 and 23/12/08	Between 23/12/05 and 23/12/08	Between 09/02/06 and 09/02/09	Between 30/11/07 and 30/11/10	Between 23/07/08 and 23/07/10	On 19/04/09	Between 04/08/09 and 04/08/12
Contractual life of option	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected volatility	20%	20%	20%	27%	27%	27%	15%
Expected average life from vesting	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Risk-free rate	4.6%	4.6%	4.6%	5%	1.5%	1.5%	0.15%
Expected dividend yield	2.2%	2.2%	2.2%	2.5%	4%	4%	4%
Fair value calculation per option:							
25% on vesting	0.027p	0.040p	0.040p	0.096p	0.029p	-	0.028p
25% in 12 months	0.034p	0.051p	0.051p	0.110p	0.035p	-	0.032p
25% in 24 months	0.047p	0.061p	0.061p	0.121p	0.040p	-	0.036p
25% in 36 months	0.054p	0.070p	0.070p	0.130p	0.044p	-	0.038p
100% on vesting	-	-	-	-	-	0.018p	-

Tristel plc
Notes to the Consolidated Financial Statements (continued)
For the year ending 30 June 2012

23. CALLED-UP SHARE CAPITAL (continued)

Type of arrangement	General Employee Share Option Plan	Senior Management Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan	General Employee Share Option Plan
Date of grant	12/10/09	12/10/09	08/03/10	08/03/10	25/7/10	19/10/10	16/03/11
Share price at grant date	53p	53p	60.5p	60.5p	53.75p	50.6p	55p
Exercise price	53.75p	Between 53.75p & 65p	60.5p	60.5p	53.75p	53.75p	55p
Number of employees	9	2	2	1	1	5	8
Number of shares under option	60,000	1,175,000	20,000	60,000	30,000	50,000	60,000
Vesting period (from date of grant) /vesting conditions	On 12/10/09	Half between 12/10/09 and 12/10/11	On 08/03/10	Between 08/03/10 and 08/03/13	Between 25/07/10 and 25/07/13	On 19/10/10	On 16/03/11

	Half on change of control						
Contractual life of option	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected volatility	15%	25%	25%	25%	56%	56%	62.5%
Expected average life from vesting	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Risk-free rate	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Expected dividend yield	4%	4%	4%	4%	3.4%	3.4%	3.8%
Fair value calculation per option:							
25% on Vesting	-	0.052p	-	0.042p	0.218p	-	-
25% in 12 months	-	0.059p	-	0.047p	0.234p	-	-
25% in 24 months	-	0.038p	-	0.051p	0.245p	-	-
25% in 36 months	-	-	-	0.053p	0.253p	-	-
100% on vesting	0.028p	-	0.042p	-	-	0.218p	0.154p

Tristel plc
Notes to the Consolidated Financial Statements (continued)
For the year ending 30 June 2012

23. CALLED-UP SHARE CAPITAL (continued)

Type of arrangement	General Employee Share Option Plan	Senior Management Share Option Plan	General Employee Share Option Plan
Date of grant	24/10/11	21/12/11	05/04/11
Share price at grant date	40p	40p	30p
Exercise price	53.75p	53.75p	53.75p
Number of employees	23	1	12
Number of shares under option	200,000	10,000	120,000

Vesting period (from date of grant) /vesting conditions	On 24/10/11	21/12/11	On 05/04/12
Contractual life of option	10 years	10 years	10 years
Expected volatility	27%	27%	27%
Expected average life from vesting	3 years	3 years	3 years
Risk-free rate	0.5%	0.5%	0.5%
Expected dividend yield	2.5%	2.5%	2.5%
Fair value calculation per option:			
25% on Vesting	-	-	-
25% in 12 months	-	-	-
25% in 24 months	-	-	-
25% in 36 months	-	-	-
100% on vesting	0.026p	0.26	0.007p

Tristel plc
Notes to the Consolidated Financial Statements (continued)
For the year ending 30 June 2012

23. CALLED-UP SHARE CAPITAL (continued)

The expected volatility is based on historical volatility over the past two years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about a number of options that are expected to become exercised. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in previous periods if share options are ultimately exercised as different to those on vesting.

Fair values have been determined using the Black-Scholes model.

A reconciliation of option movements over the year to 30 June 2012 is shown below:

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	2,775,000	56.87	2,680,000	56.94p

Granted	340,000	53.75	160,000	51.00p
Forfeited	(325,000)	53.79	(65,000)	51.07p
Outstanding at 30 June	<u>2,790,000</u>	56.85	<u>2,775,000</u>	56.87p
Exercisable at 30 June	<u>2,157,500</u>	54.65	<u>2,075,000</u>	40.82p

The total credit at 30 June 2012 relating to employee share-based payment plans, in accordance with IFRS 2, was £14,000 (2011 charge: £29,000), all of which relate to equity-settled share-based payment transactions.

The range of exercise prices for options outstanding at the end of the period is 52.75p and 65p. The weighted average of the remaining contractual life of options at the end of the period is 7 years.

24. RELATED PARTY DISCLOSURES

Transactions between the Group and Bruce Green

Under the terms of a technology licence agreement between the Group and Bruce Green, a Director and shareholder in the parent company (Tristel plc), royalties and commissions of £159,338 (2011: £194,834) were payable during the year to Bruce Green Limited, a company owned by Mr Green. At 30 June 2012, the Group owed Bruce Green Limited £53,485 (2011: £30,601). An amount of £700,000 was paid to Mr Green in the previous year to settle in part the existing royalty agreement and to end the existing consultancy agreement.

Transactions between the Group and Tom Allsworth

Under the terms of supply agreements between the Company and Medichem (International) Manufacturing Ltd, a private company incorporated in England and Wales, in which Mr Tom Allsworth, a Director and shareholder, monies totalling £144,402 (2011: £331,878) were payable. At 30 June 2012, the Group owed Medichem (International) Manufacturing Ltd £12,995 (2011: £54,915) and was owed £6,049 (2011: £831).

Tristel plc

Notes to the Consolidated Financial Statements (continued)

For the year ending 30 June 2012

24. RELATED PARTY DISCLOSURES (continued)

Transactions between the Group and Mark Fraundorfer

Under the terms of supply agreements between the Group and Astromed Limited, Hangover Limited, IVC Limited, Urotech Limited, Fraundorfer Urology Limited, Aspiring Holdings Limited, and Promed Urology Limited, all companies in which Mark Fraundorfer, a director of subsidiary Tristel New Zealand, is a shareholder and director, £7,158 was payable during the year (2011: £29,857).

Transactions between the Parent and Subsidiary Companies

During the year, the Company charged its subsidiary company, Tristel Solutions Limited, £900,000, in respect of management fees (2011: £900,000).

As at the year-end, the Company was owed £6,071,012 (2011: £5,366,197) by its subsidiary Company, Tristel Solutions Limited, in respect of intra-Group transactions, consisting of management fees receivable and recharged costs. The Company owed £1 (2011: £1) to its subsidiary Company, Newmarket Technologies Limited, in respect of intra-Group transactions, consisting of management fees receivable and recharged costs.

Transactions between the Group and Associate Companies

During the year, the Group charged its associate Company, Tristel Italia srl, £22,996 (2011: £18,185) in respect of finished goods. At the year-end, the Company was owed £88,055 (2011: £83,749) by its associate, Tristel Italia srl, in respect of intra-Group transactions, consisting of cash advances and recharged costs.

Transactions with Directors

Dividends were paid to Directors as follows:

	30 June 2012	30 June 2011
	£	£
Paul Swinney	4,318	21,281
Elizabeth Dixon	39	20
Francisco Soler	32,228	133,885
Paul Barnes	2,233	10,279
Peter Stephens	3,861	20,249
Bruce Green	3,757	17,433
Peter Clarke (retired 13.12.11)	26	400
Antonio Soler (retired 13.12.11)	12	69

During the year, Elizabeth Dixon, a Director of the Company, was granted options over 10,000 of the company's 1p ordinary shares at a price of 53.75p, which were immediately exercisable.

Details of Directors' and key management compensation are disclosed in note 3.