Tristel plc
Annual Report & Accounts
Year ended
30 June 2005

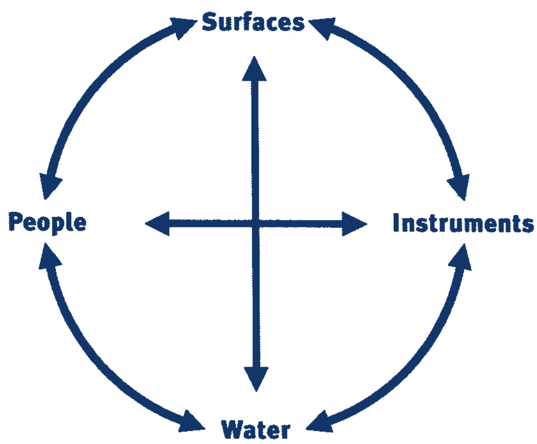
The Tristel Strategy

Tristel is a healthcare business, specialising in infection control, using proprietary, patented chlorine dioxide chemistry to fight against Hospital Acquired Infection (HAI). Chlorine dioxide is a safe, fast-acting biocide that kills all micro-organisms on contact.

A Hospital Acquired Infection is one that a patient did not have or was not incubating on entering hospital. Patients can contract infection in many ways: from procedures with inadequately disinfected **instruments**; from unclean **surfaces**; by drinking or showering in contaminated **water**, or from contact with other **people**.

These are the routes of transmission of infection and to succeed in the fight against HAIs they must all be addressed.

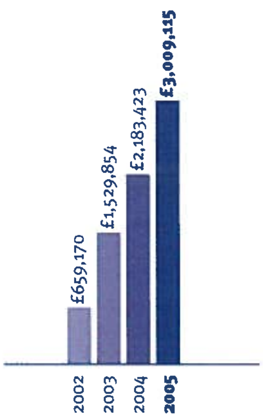
Tristel's strategy is to create applications for its chlorine dioxide chemistry that attack each of these routes.



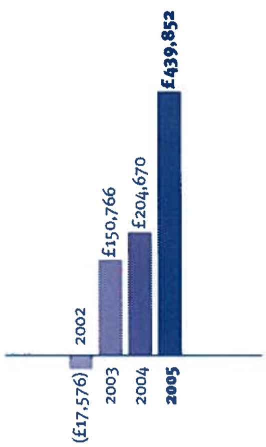
Chairman's introduction

The year ended 30th June 2005 has been a most notable one for our Company. During the year the Company continued to grow strongly, increasing turnover by **38%** to **£3,009,115** (2004: £2,183,423) and operating profit before exceptional items and net interest expense by **115%** to **£439,852** (2004: £204,670).

TURNOVER



OPERATING PROFIT



We continued to expand our product range by completing the development of the Tristel Generator, which is an automated chlorine dioxide dosing system. The Generator enables Tristel to tackle water-borne infection in hospitals. We also extended the sterilising wipe, which is used for delicate instruments, into a complete decontamination system incorporating a pre-clean and rinse wipe. The system has proven very popular with Ear, Nose and Throat (ENT) departments.

Whilst developing new products, and extending the applications for existing ones, we have also consolidated our market leadership position in the supply of sterilising solutions for endoscopes.

The Company has supplied one or more of its products to approximately 60% of all acute NHS and private sector hospitals in England, Scotland and Wales and a growing number of primary care trusts (PCTs), community hospitals, GP practices, veterinary practices and miscellaneous healthcare establishments. We have started to supply NHS Logistics (the health service buying agency) as well as individual hospitals directly.

At the end of 2004 the Board considered the strategic and financial options which would allow and enable the Company to continue its expansion. We recognised that this must involve our development into an international company, thereby exploiting our patented, proprietary technology in overseas markets as well as our domestic marketplace. The decision was taken to seek admission to the London Stock Exchange AIM market.

I am pleased to report that our flotation on AIM was concluded on June 1st 2005, raising £1.5 million before listing expenses.

At the fiscal year-end, shareholders' funds stood at £1,564,840, an increase of £1,718,891 over the previous period, resulting from the issue of new shares and additions to reserves.

Outlook and future prospects

We have entered the current financial year in a strong position with net cash reserves in excess of £1.1 million and a well-established market leadership position in our core domestic market of endoscope decontamination. We have a team of individuals experienced and skilled in their work.

The Company has developed a cohesive portfolio of products which address the principal routes of transmission of Hospital Acquired Infection and, to supplement the existing products, we plan to bring new applications of our chemistry to market this year. Of particular interest is the Tristel Burstable Sachet which will be a very useful product for hospitals in many overseas markets where the standards of decontamination are not currently as advanced as they are in the United Kingdom. A chlorine dioxide hand rub is also in development. There are new market segments to enter such as the pharmaceutical and laboratory markets, and, most importantly, new geographical markets.

In summary, we believe that the optimism with which we view the current and future years is well-founded. On this note, I am pleased to declare our maiden dividend. The Board is proposing the payment of a dividend of 0.5 pence per ordinary share, representing a total payment of £119,184.

Francisco A. Soler
Chairman
3 October 2005

Surfaces

Very high-risk areas such as intensive care units need the most effective disinfectant. Detergents and general cleaning products alone will not do...

...Tristel Duo is a sporicidal surface cleaner.

Chief Executive's review of activities

In the introduction to this 2005 Annual Report, we explained that Tristel's product development strategy has been to create one or more products to address each of the principal routes of transmission of infection in hospitals.

TRISTEL DUO SPORICIDAL SURFACE CLEANER IS USED ON HARD SURFACES IN CRITICAL AREAS OF THE HOSPITAL. EXAMPLES ARE INTENSIVE CARE, ORGAN TRANSPLANT AND BURNS UNITS. DUO PRODUCES CHLORINE DIOXIDE IN A FOAM MATRIX AND A PATENT APPLICATION HAS BEEN FILED OVER THIS NOVEL DELIVERY SYSTEM.

To date, all of the products that have been developed incorporate our proprietary, patented chlorine dioxide chemistry. Over the next few years it is likely that we will continue to focus exclusively on this biocidal chemistry, but we remain alert to the possibilities of harnessing other active compounds, either in combination with chlorine dioxide or on their own.

We seek, wherever possible, to secure protection over the intellectual property that we develop. During the year ended 30 June 2005, we filed nine patent applications and since 1 July 2005 we have filed further applications and have been granted a British patent over the sterilising wipe.

Infection control is a very topical and serious issue that confronts hospitals not only in the United Kingdom but in all countries worldwide. It is likely to remain so with the increasing incidence of community-based MRSA and the development of antibiotic resistance amongst a growing population of pathogenic organisms. The need for anti-microbials that are safe, effective and easy to use can only grow.

One of the Company's major challenges is to export the success that has been achieved in our home market. Securing the funding and resources required to meet this challenge was one of the primary reasons for the flotation, and I am pleased to report that considerable progress has been made since the beginning of 2005.

TRISTEL INSTRUMENT STERILANTS ARE PACKAGED IN A VARIETY OF FORMATS, ALLOWING THE USER TO SELECT BETWEEN RE-USABLE AND SINGLE-USE SOLUTIONS. THE PRODUCTS ARE USED TO DECONTAMINATE FLEXIBLE ENDOSCOPES SUCH AS GASTROSCOPES, COLONOSCOPES AND BRONCHOSCOPES.

USED FOR NON-LUMENED, HEAT SENSITIVE INSTRUMENTS, SUCH AS NASENDOSCOPES AND ULTRASOUND PROBES, THE **TRISTEL WIPES SYSTEM** INCORPORATES A PRE-CLEAN WIPE, A STERILISING WIPE, A RINSE WIPE AND A TRACEABILITY SYSTEM. THE WIPES SYSTEM ACHIEVES THE STANDARDS OBTAINED BY AUTOMATED EQUIPMENT WITHOUT THE SUBSTANTIAL CAPITAL OUTLAY.

Test programmes are underway in France, Germany and Spain to generate the data required to enter these and other European markets. Negotiations are at advanced stages for the appointment of distributors in a number of countries in Europe, the Middle and Near East and in Africa.

For the first time in our history, the Company will exhibit its comprehensive product portfolio at MEDICA in Düsseldorf which is the showcase for the global medical industry.

Our ability to offer a broad range of infection control products is the key to attracting the interest of potential overseas distributors. Over the following pages the Tristel products and how they relate to the routes of transmission of infection in a hospital are reviewed.

Instruments

The majority of surgical instruments are made of materials that allow sterilisation by heat. However, there is a very important group of diagnostic and therapeutic instruments – flexible endoscopes – that are made of plastics and polymers which cannot be autoclaved. The only practical way to decontaminate this type of instrument is to use a chemical disinfectant.

Historically, the chemical glutaraldehyde has been used in all countries to disinfect flexible endoscopes. The United Kingdom has led the way in replacing this toxic substance with safer disinfecting chemistries and Tristel's chlorine dioxide products have emerged as the most widely adopted replacements.

Most countries are looking to follow the United Kingdom's lead in replacing glutaraldehyde. Tristel's objective is to play a major part in this world-wide transition to safer instrument disinfectants.

Instruments

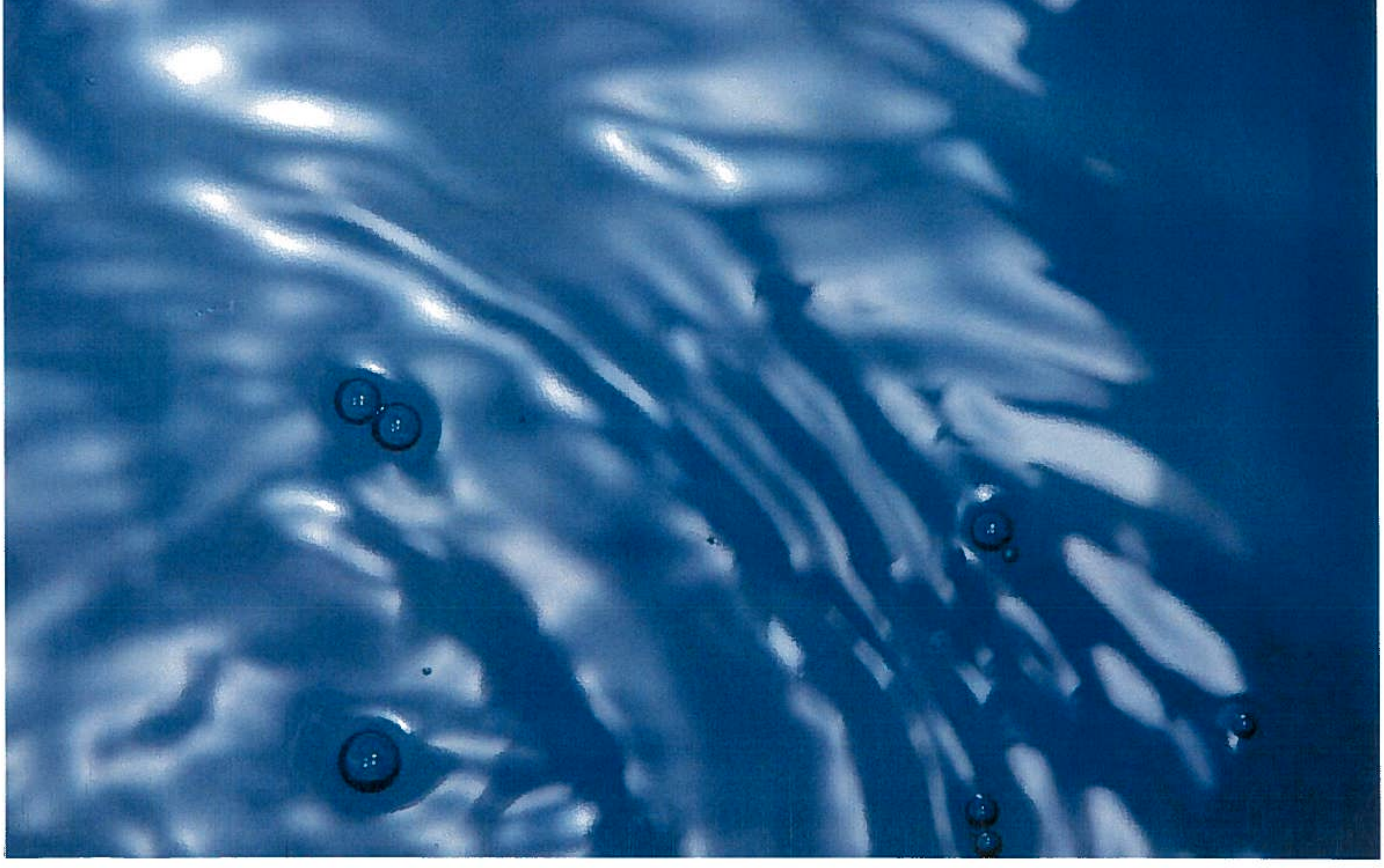
With more colon cancer screening programmes and an ageing population, endoscopy will grow and grow...

...Tristel Instrument Sterilants are the market leading products in flexible endoscopy in the UK.

Water

Biofilm elimination and control remains one of the great infection control challenges...

...The Tristel Generator injects chlorine dioxide into pipe-work where biofilms develop.



Surfaces

The need for more effective cleaning and disinfection of general hospital surfaces has gained much political and media attention in the United Kingdom. Standards will be raised by better training, more investment and a return to the disciplines instilled by the traditional hospital Matron, but also by the use of more effective biocidal chemistries.

Chlorine dioxide distinguishes itself from other disinfectants because of its biocidal activity, in particular its sporicidal activity. Whilst the antibiotic resistant organism MRSA has gained most publicity, there are a multitude of bacterial, viral and fungal organisms that pose serious threats within our hospitals. Organisms such as *Norovirus*, *Acinetobacter* and *Clostridium difficile* are prevalent and cause periodic infection outbreaks.

Tristel Duo is a sporicidal surface cleaner and is able to kill all these organisms in a safe and easy-to-use format.

Water

Water-borne organisms also pose a serious threat to human health. Hospital acquired Legionnaires' Disease, as an example, may be sporadic or may occur as part of an outbreak. In all cases, it is often deadly.

The Tristel Generator is a micro-processor controlled dosing system that produces Tristel's chlorine dioxide chemistry at precisely controlled concentrations. The wide range of concentrations that can be set, from 0.5 to over 300 ppm, enables the Generator to sanitise drinking water supplies at one end of the infection control spectrum and to produce sterilising solutions for medical instruments at the other.

Opportunities for the Generator exist in the dental practise where it can be used to disinfect dental unit water lines. For the hospital marketplace the Generator supplies disinfectant with unrivalled levels of precision and control to an increasing number of makes of automated endoscope reprocessor.

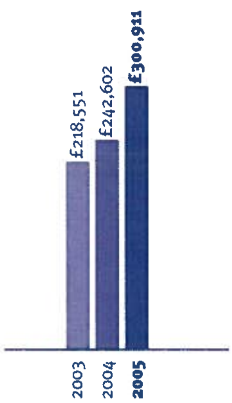
THE **TRISTEL GENERATOR** HAS BEEN DEVELOPED WITH THE SUPPORT OF A DEPARTMENT OF TRADE AND INDUSTRY SMART AWARD. IT DOSES CHLORINE DIOXIDE INTO WATER SUPPLY SYSTEMS AND CAN BE USED TO PRODUCE DISINFECTANT AT POINT AND TIME OF USE.

Results and finance

Turnover has increased every year since our operating subsidiary, Tristel Solutions Limited, was first established in 1998. The increase of 38% to £3,009,115 in the year to 30 June 2005 was attributable to a significant increase in sales of both the Tristel Wipes System and the Instrument Sterilants.

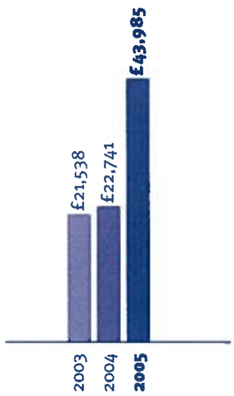
Notwithstanding the increase in turnover, we successfully controlled expense growth, limiting the percentage increase to 10.6% over the year. Administrative expenses totalled £1,121,215 (2004: £1,013,837) and included in this expenditure were research and development costs of £109,970 (2004: £93,356). The Group continues to make a significant investment in research and development to continue the extension of the product range.

TURNOVER
PER EMPLOYEE



We remain committed to the business model that we have adopted since 1998. This involves the outsourcing of all manufacturing and logistical activities, allowing the Company to concentrate its skills and resources on sales, marketing and product development. The model enables high sales and profit levels per employee, a key measure by which we monitor our progress.

OPERATING PROFIT
PER EMPLOYEE



Operating profit before exceptional items more than doubled to £439,852 (2004: £204,670). The exceptional items were a loss on sale of subsidiary of £22,275 and the UITF 17 charge relating to employee share option costs of £279,956.

Through revenue growth and cost control we have increased the operating margin to 14.6% (2004: 9.4%).

Net cash inflow during the year from operations was £312,543 (2004: £232,155).

As we move into the current financial year, the Group is in a good financial condition. The business is cash generative and held net cash balances at 30 June 2005 of £1,153,274.

Paul Swinney
Cheif Executive
3 October 2005

People (skin)

Alcohol is the most widely used skin disinfectant but it dries the hands. Alternatives should be available...

...Tristel is developing a chlorine dioxide hand rub.

Company Information for the period 1 May 2004 to 30 June 2005

Directors
Francisco Soler (Chairman)
Paul Swinney (Chief Executive)
Paul Barnes FCCA (Finance)
Peter Clarke (Non-Executive)
Peter Stephens (Non-Executive)

Secretary
Paul Barnes FCCA

Registered & Head Office
Lynx Business Park
Fordham Road
Snailwell
Cambridgeshire
CB8 7NY

Registered number
04728199 (England and Wales)

Auditors
Hedges Chandler
Chartered Accountants – Registered Auditors
14 Cornard Road
Sudbury
Suffolk
CO10 2XA

Nominated advisors and brokers
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Beaufort House
15 St Botolph Street
London
EC3A 7QR

Solicitors to the Company
Maclay Murray & Spens, London
5 Old Bailey
London
EC4M 7JX

Patent attorneys
Dummett Copp
25 The Square
Martlesham Heath
Ipswich
Suffolk
IP5 3SL

Registrars
Computershare Investor Services plc
PO Box 859
The Pavilions
Bridgewater Road
Bristol
BS99 7NH

Report of the Directors for the period 1 May 2004 to 30 June 2005

The directors present their report with the financial statements of the Company and the group for the period 1 May 2004 to 30 June 2005.

Admission to trading on AIM

On 1 June 2005 the Company was successfully admitted to trading on AIM.

Change of name

The Company passed a special resolution on 24 May 2005 changing its name from Tristel (Holdings) Limited to Tristel plc. The company re-registered as a Public Company on this date.

Principal activity

The principal activity of the group in the period under review was that of the design, manufacture & sale of infection control products.

Review of business

A review of the Company's activities during the year is dealt with in the Chairman's introduction and the Chief Executive's review of activities.

Dividends

No interim dividend was paid during the period. The directors recommend a final dividend of 0.5p per share.

The total distribution of dividends for the period ended 30 June 2005 will be £119,184.

Future developments

The Board aims to continue its corporate strategies as set out in the Chairman's introduction and Chief Executive's review of activities.

Directors

The directors during the period under review were:

P C Swinney	appointed 24.5.2004
F A Soler	appointed 24.5.2004
P C Clarke	appointed 24.5.2004
P F H Stephens	appointed 24.5.2004
P M Barnes FCCA	appointed 24.5.2004
Bondlaw Directors Limited	resigned 24.5.2004

The beneficial interests of the directors holding office on 30 June 2005 in the issued share capital of the Company were as follows:

	30.6.05	1.5.04 or date of appointment if later
Ordinary 1p shares		
P C Swinney	2,713,986	100
F A Soler	10,827,228	–
P C Clarke	181,811	–
P F H Stephens	486,505	–
P M Barnes FCCA	551,260	–

Report of the Directors for the period 1 May 2004 to 30 June 2005

Corporate Governance

Tristel plc is committed to maintaining high standards of corporate governance. The Company complies with the Combined Code as modified by the recommendations of the Quoted Companies Alliance to the extent the directors consider appropriate, given the size of the Company, its current stage of development and the constitution of the Board.

The Board has appointed an Audit Committee whose primary role is the review of the Company's interim and annual financial statements before submission to the Board for approval. The Audit Committee also reviews regular reports from management and the external auditors on accounting and internal control matters. The Board has also established a Remuneration Committee, which is responsible for reviewing executive remuneration and performance. Both the Audit Committee and Remuneration Committee are made up of three non-executive directors and are chaired by Peter Stephens.

Substantial Shareholders

Except for directors' interests noted above, the directors are aware of the following who are interested in 3% or more of the Company's equity at 30 June 2005.

	Registered holding	% of issued share capital
INVESCO UK	1,266,891	5.31%
Bruce Green	899,016	3.77%
Montanaro Investment Management	861,486	3.61%
Fidelity Investments	748,918	3.14%

Group's policy on payment of creditors

The group does not have a written code or standard on payment practice. It negotiates terms with each of its suppliers. Payments are then made to suppliers in accordance with those terms provided the supplier has carried out the agreed obligations in a satisfactory manner.

At the year end the group had an average of 43 days purchases outstanding in trade creditors.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Hedges Chandler as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD
P M BARNES FCCA
SECRETARY
DATED 30 SEPTEMBER 2005

TRISTEL plc
LYNX BUSINESS PARK, FORDHAM ROAD,
SNAILWELL, CAMBRIDGESHIRE CB8 7NY

Report of the Independent Auditors to the Members of Tristel plc

We have audited the financial statements of Tristel plc for the period ended 30 June 2005 on pages 16 to 30 These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described on page 14 the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the group as at 30 June 2005 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

HEDGES CHANDLER
CHARTERED ACCOUNTANTS - REGISTERED AUDITORS
14 CORNARD ROAD, SUDBURY, SUFFOLK, CO10 2XA
DATED 30 SEPTEMBER 2005

Consolidated profit and loss account

for the period 1 May 2004 to 30 June 2005

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

	NOTES	2005 £	2004 £
Turnover	2	3,009,115	2,183,423
Cost of sales		1,448,048	964,916
Gross profit		1,561,067	1,218,507
Administrative expenses		1,121,215	1,013,837
Operating profit	3	439,852	204,670
Exceptional items			
Loss on sale of subsidiary	6	(22,275)	–
Employee share option costs (UITF 17 charge)	6	(279,956)	–
		137,621	204,670
Interest receivable and similar income		5,775	3,589
		143,396	208,259
Interest payable and similar charges	7	39,200	41,764
Profit on ordinary activities before taxation		104,196	166,495
Tax on profit on ordinary activities	8	65,440	52,815
Profit for the financial period after taxation		38,756	113,680
Dividends	10	119,184	–
(Deficit)/Retained profit for the period for the group		(80,428)	113,680
(Losses)/Earnings per share			
Basic	11	(0.50)p	0.77p
Diluted	11	(0.45)p	0.77p

CONTINUING OPERATIONS
THE OPERATING PROFIT FOR THE PERIOD ALL ARISES FROM CONTINUING OPERATIONS.

TOTAL RECOGNISED GAINS AND LOSSES
THE GROUP HAS NO RECOGNISED GAINS OR LOSSES OTHER THAN THE PROFITS FOR THE CURRENT OR PREVIOUS PERIODS.

Consolidated Balance Sheet

30 June 2005

	NOTES	2005 £	2004 £
Fixed assets			
Intangible assets	12	828,832	377,282
Tangible assets	13	83,168	68,160
Investments	14	–	–
		912,000	445,442
Current assets			
Stocks	15	224,710	10,600
Debtors	16	546,489	414,941
Cash at bank and in hand		1,212,112	1
		1,983,311	425,542
Creditors			
Amounts falling due within one year	17	1,234,015	668,493
Net current assets/(liabilities)		749,296	(242,951)
Total assets less current liabilities		1,661,296	202,491
Creditors			
Amounts falling due after more than one year	18	–	(315,000)
Provisions for liabilities and charges	21	(96,456)	(41,542)
		1,564,840	(154,051)
Capital and reserves			
Called up share capital	22	238,368	17,518
Share premium	23	1,455,980	563,637
Merger reserve	23	478,526	–
Profit and loss account	23	(608,034)	(735,206)
Shareholders' funds	27	1,564,840	(154,051)

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

ON BEHALF OF THE BOARD
P F H STEPHENS
DIRECTOR
P M BARNES FCCA
DIRECTOR
APPROVED BY THE BOARD
ON 30 SEPTEMBER 2005

Company Balance Sheet

30 June 2005

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

	NOTES	2005 £	2004 £
Fixed assets			
Intangible assets	12	443,835	–
Tangible assets	13	–	–
Investments	14	465,000	–
		908,835	–
Current assets			
Debtors	16	63,205	–
Cash at bank and in hand		1,212,089	1
		1,275,294	1
Creditors			
Amounts falling due within one year	17	466,098	–
Net current assets		809,196	1
Total assets less current liabilities		1,718,031	1
Provisions for liabilities and charges	21	14,724	–
		1,703,307	1
Capital and reserves			
Called up share capital	22	238,368	1
Share premium	23	1,455,980	-
Profit and loss account	23	8,959	-
Shareholders' funds	27	1,703,307	1

ON BEHALF OF THE BOARD

P F H STEPHENS
DIRECTOR

P M BARNES FCCA
DIRECTOR

APPROVED BY THE BOARD
ON 30 SEPTEMBER 2005

Cash Flow Statement

for the period 1 May 2004 to 30 June 2005

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

	NOTES	2005 £	2004 £
Net cash inflow from operating activities	1	312,543	232,155
Returns on investments and servicing of finance	2	(39,018)	2,218
Capital expenditure	2	(244,006)	(275,489)
Acquisitions and disposals	2	(1,816)	–
		27,703	(41,116)
Financing	2	1,170,268	23,069
Increase/(Decrease) in cash in the period		1,197,971	(18,047)
Reconciliation of net cash flow to movement in net debt	3		
Increase/(Decrease)in cash in the period		1,197,971	(18,047)
Cash outflow from decrease in debt and lease financing		423,714	13,028
Change in net debt resulting from cash flows		1,621,685	(5,019)
New bank loan		(20,000)	–
Bank loan repaid		20,000	–
Movement in net debt in the period		1,621,685	(5,019)
Net debt at 1 May		(468,411)	(433,493)
Net funds/(debt) at 30 June		1,153,274	(438,512)

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Notes to the Cash Flow Statement

for the period 1 May 2004 to 30 June 2005

1. Reconciliation of operating profit to net cash inflow from operating activities

	2005 £	2004 £
Operating profit	439,852	204,670
Depreciation charges	64,902	52,865
Loss on disposal of fixed assets	1,082	–
Increase in stocks	(214,110)	(1,850)
Increase in debtors	(190,723)	(72,911)
Increase in creditors	211,540	49,381
Net cash inflow from operating activities	312,543	232,155

2. Analysis of cash flows for headings netted in the cash flow statement

	2005 £	2004 £
Returns on investments and servicing of finance		
Interest received	5,775	3,589
Interest paid	(44,478)	(264)
Interest element of hire purchase payments	(315)	(1,107)
Net cash (outflow)/inflow for returns on investments and servicing of finance	(39,018)	2,218
Capital expenditure		
Purchase of intangible fixed assets	(197,838)	(243,809)
Purchase of tangible fixed assets	(54,195)	(31,680)
Sale of tangible fixed assets	8,027	–
Net cash outflow for capital expenditure	(244,006)	(275,489)
Acquisitions and disposals		
Disposal of subsidiary	(1,816)	–
Net cash outflow for acquisitions and disposals	(1,816)	–
Financing		
New loans in year	20,000	–
Loan repayments in year	(440,000)	–
Hire purchase capital repayments in year	(3,714)	(13,028)
Loans written off	–	30,506
Directors' loans	(7,952)	11,968
Share issues	1,596,575	–
Share buyback	(75,000)	(25,000)
Government grant received	80,359	18,623
Net cash inflow from financing	1,170,268	23,069

3. Analysis of changes in net debt

	at 1.5.04 £	Cash flow £	at 30.6.05 £
Net cash:			
Cash at bank and in hand	1	1,212,111	1,212,112
Bank overdrafts	(44,698)	(14,140)	(58,838)
	(44,697)	1,197,971	1,153,274
Debt:			
Hire purchase	(3,714)	3,714	–
Debts falling due within one year	(105,000)	105,000	–
Debts falling due after one year	(315,000)	315,000	–
	(423,714)	423,714	–
Total	(468,411)	1,621,685	1,153,274

Notes to the Financial Statements

for the period 1 May 2004 to 30 June 2005

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the accounts of Tristel plc for the 14 months ended 30 June 2005 and of its subsidiary undertakings for the 12 months ended 30 June 2005, or until the date of disposal as applicable. This is because the 2004 accounts for Tristel plc were prepared to 30 April, whilst the accounts of the subsidiary companies were prepared to 30 June. The accounting year end of Tristel plc was extended to 30 June in 2005, thus preventing the anomaly from recurring.

During the period, the group carried out a corporate restructuring consisting of the introduction of a new holding company. Prior to that date the holding company was Emergent Technology Group Inc, a company incorporated in the British Virgin Isles. On 16 June 2004 Tristel (Holdings) Limited acquired the entire issued ordinary share capital of Emergent Technology Group Inc in exchange for the issue of shares to shareholders on a one hundred-for-one basis. On 24 May 2005 Tristel (Holdings) Limited was re-registered as a public limited company and changed its name to Tristel plc.

Emergent Technology Group Inc was sold on 28 February 2005.

The restructuring represented a change in the identity of the holding company rather than an acquisition of the business. Consequently, the restructuring has been accounted for using merger accounting principles in accordance with Financial Reporting Standard 6. Accordingly although Tristel plc did not become the parent company of the Group until 16 June 2004, the Group financial information is presented as if the companies had always been part of the same Group. Balance sheet comparatives are presented on the combined basis.

In accordance with sections 131 and 133 of the Companies Act 1985, Tristel plc has taken no account of any premium on the shares issued to acquire Emergent Technology Group Inc and has recorded the cost of the investment at the nominal value of the shares issued. The resulting difference arising on consolidation has been credited to a merger reserve.

Turnover

Turnover is the total amount receivable by the group in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding value added tax and trade discounts. Product revenue is recognised upon shipment of product and service income is recognised upon the relating services having been completed or over the term of the contract where relevant.

Intangible fixed assets - patents and licences

Patents and licences are included at cost and depreciated in equal annual instalments over a period of ten years which is their estimated useful economic life. Provision is made for any impairment.

Intangible fixed assets - research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial feasibility of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the group is expected to benefit. Provision is made for any impairment.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	Straight line over the lease term
Plant and machinery	33% on cost
Fixtures and fittings	25% on cost and 20% on cost
Motor vehicles	25% on cost

Stocks

Stocks are stated 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, slow-moving or defective items where appropriate.

Deferred tax

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis.

Pensions

The group operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to the Financial Statements continued

for the period 1 May 2004 to 30 June 2005

1. **Accounting policies** continued

Government grants

Government grants relating to fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

Share option related charges

In accordance with UITF 17, the group recognises a charge on employee share options issued at below fair value, equal to the differential between the fair value and exercise price of the option.

2. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2005 £	2004 £
United Kingdom	2,970,682	2,147,813
Rest of World	38,433	35,610
	3,009,115	2,183,423

3. Operating profit

The operating profit is stated after charging:

	2005 £	2004 £
Depreciation -		
owned assets	28,024	10,837
assets on hire purchase contracts	2,054	7,208
Loss on disposal of fixed assets	1,082	–
Patents and licences amortisation	34,824	34,820
Auditors remuneration		
audit	7,500	7,760
other services	3,090	2,500
Operating lease rentals		
land and buildings	18,026	18,715
vehicles and equipment	19,964	21,719
Research and development costs expensed	109,970	93,356

In addition to the auditors remuneration disclosed above, share issue costs of £49,700 (2004:£nil) have been debited to the share premium account in respect of work completed by the auditors relating to the Company's admission to AIM.

4. Staff costs

	2005 £	2004 £
Wages and salaries	405,636	308,584
Social security costs	43,623	37,371
Other pension costs	18,354	17,327
	467,613	363,282

The average monthly number of employees (including executive directors) during the period was as follows:

	2005	2004
Directors	1	1
Sales and marketing	6	6
Administration	3	2
	10	9

In addition to the staff costs disclosed above, there are costs of £279,956 included as exceptional items comprising a UITF 17 charge of £207,600 and related employer's National Insurance contributions of £72,356 associated with employee share options granted during the period.

5. Directors

	2005 £	2004 £
Directors' emoluments	150,788	107,884
Aggregate gains made by directors on the exercise of share options	759,687	–
Directors' pension contributions to money purchase schemes	7,000	8,750
The number of directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	1	1

Three directors exercised share options during the period (2004 – none).

Notes to the Financial Statements continued

for the period 1 May 2004 to 30 June 2005

6. Exceptional items

In accordance with UITF 17, an amount £207,600 has been charged to the profit and loss account in respect of employee share options granted and exercised during the period, which has then been credited to reserves as shown at note 23.

In addition, the group incurred employer's National Insurance costs of £72,356 in respect of the share options. These costs have been treated as exceptional as the options would not have vested had the company not been admitted to AIM.

The group disposed of a subsidiary company in February 2005, resulting in a loss on consolidation of £22,275.

7. Interest payable and similar charges

	2005 £	2004 £
Other interest	–	264
Loan interest	38,849	40,393
Interest on late paid tax	36	–
Hire purchase	315	1,107
	39,200	41,764

8. Taxation

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the period was as follows:

	2005 £	2004 £
Current tax:		
UK corporation tax	10,526	–
Deferred tax:		
Advance capital allowances	83,420	46,428
Relief for trading losses	–	9,925
Deferred grant income	(28,506)	(3,538)
Total deferred tax	54,914	52,815
Tax on profit on ordinary activities	65,440	52,815

Factors affecting the tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK.
The difference is explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	104,196	166,495
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 19%)	31,259	31,634
Effects of:		
Expenses not deductible for tax purposes	18,961	25,167
Utilisation of tax losses brought forward	–	(9,925)
Capital allowances in excess of depreciation	(54,970)	(46,429)
Grant income taxed on receipt	24,107	3,538
Effect of marginal and starting rate tax bands	(6,141)	(411)
Enhanced relief on qualifying scientific research expenditure	(2,690)	(3,574)
Current tax charge	10,526	–

9. Profit of Parent Company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £128,143 (2004 - £nil).

10. Dividends

	2005 £	2004 £
Equity shares: Final dividend at 0.5p per share	119,184	–

Notes to the Financial Statements continued

for the period 1 May 2004 to 30 June 2005

11. Earnings per ordinary share

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

	2005 £	2004 £
Retained (loss)/profit for the financial period	(80,428)	113,680
Weighted average number of ordinary shares for basic earnings per share	16,050,830	14,718,555
Weighted average number of ordinary shares for diluted earnings per share	18,002,893	14,722,593

The calculation of the weighted average number of shares is based on the 12 month period ended 30 June.

The weighed average number of shares for both periods disclosed above takes account of the four for one bonus issue of shares which took place on 23 May 2005.

12. Intangible fixed assets

Group

	Patents and licences £	Development costs £	Totals £
Cost			
At 1 May 2004	353,819	243,809	597,628
Additions (net of intra-group transfers)	345,186	141,188	486,374
At 30 June 2005	699,005	384,997	1,084,002
Amortisation			
At 1 May 2004	220,346	-	220,346
Amortisation for period	34,824	-	34,824
At 30 June 2005	255,170	–	255,170
Net book vakue			
At 30 June 2005	443,835	384,997	828,832
At 30 April 2004	133,473	243,809	377,282

Company

	Patents and licences £
Cost	
Additions	455,446
At 30 June 2005	455,446
Amortisation	
Amortisation for period	11,611
At 30 June 2005	11,611
Net book value	
At 30 June 2005	443,835

13. Tangible fixed assets

Group

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Cost					
At 1 May 2004	13,869	23,460	52,292	28,834	118,455
Additions	2,336	-	16,651	35,208	54,195
Disposals	-	-	(5,244)	(16,750)	(21,994)
At 30 June 2005	16,205	23,460	63,699	47,292	150,656
Deprecation					
At 1 May 2004	-	14,506	22,825	12,964	50,295
Charge for period	3,301	3,070	12,312	11,395	30,078
Eliminated on disposal	-	-	(4,161)	(8,724)	(12,885)
At 30 June 2005	3,301	17,576	30,976	15,635	67,488
Net Book Value					
At 30 June 2005	12,904	5,884	32,723	31,657	83,168
At 30 April 2004	13,869	8,954	29,467	15,870	68,160

Notes to the Financial Statements continued
for the period 1 May 2004 to 30 June 2005

13. **Tangible fixed assets** continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £
Cost	
At 1 May 2004	28,834
Disposals	(16,750)
Transfer to ownership	(12,084)
At 30 June 2005	–
Depreciation	
At 1 May 2004	12,964
Charge for period	2,054
Eliminated on disposal	(8,724)
Transfer to ownership	(6,294)
At 30 June 2005	–
Net book value	
At 30 June 2005	–
At 30 April 2004	15,870

Company
There are no tangible fixed assets held by the Company.

14. **Fixed asset investments**

Company

	Shares in group undertakings £
Cost and net book value	
Additions and at 30 June 2005	465,000

The company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiary – Tristel Solutions Limited
Country of incorporation: England and Wales
Nature of business: Supply of infection control products

Class of shares:	% holding
Ordinary	100.00

	30.6.05 £	**30.6.04** £
Aggregate capital and reserves	326,532	165,210
(Loss)/Profit for the year	(46,278)	227,288

Sale of subsidiary undertaking – Emergent Technology Group Inc.
On 28 February 2005 the group sold its 100% interest in the ordinary share capital of Emergent Technology Group Inc, a company incorporated in the British Virgin Islands. The loss of Emergent Technology Group Inc up to the date of disposal was £20,835, and the loss for its last financial year was £113,606.

Net assets disposed of and the related sale proceeds were as follows:

	£
Current assets	62,216
Loan debtor - due from Tristel plc	367,500
Creditors	(12,313)
Loan creditor - due from Windsor International Corporation	(367,500)
	49,903
Loss on sale	(22,275)
Sale proceeds (to be satisfied in full by cash)	27,628
Net cash inflows in respect of the sale comprised:	
Cash consideration (included within other debtors at 30 June 2005)	–
Cash at bank and in hand sold	(1,816)
	(1,816)

Notes to the Financial Statements continued
for the period 1 May 2004 to 30 June 2005

15. Stock

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Raw materials	24,969	–	–	–
Work-in-progress	67,233	–	–	–
Finished goods	132,508	10,600	–	–
	224,710	10,600	–	–

16. Debtors: amounts falling due within one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Trade debtors	459,411	310,669	–	–
Other debtors	29,133	40,818	27,628	–
Directors' current accounts	–	45,985	–	–
VAT	–	–	32,509	–
Prepayments and accrued income	57,945	17,469	3,068	–
	546,489	414,941	63,205	–

17. Creditors: amounts falling due within one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Bank loans and overdrafts (see note 19)	58,838	44,698	–	–
Other loans (see note 19)	–	105,000	–	–
Hire purchase contracts (see note 20)	–	3,714	–	–
Trade creditors	358,867	253,247	–	–
Amounts owed to group undertakings	–	–	98,570	–
Corporation tax	10,526	–	10,526	–
Social security and other taxes	100,557	60,248	1,838	–
Proposed dividends	119,184	–	119,184	–
Other creditors	238,630	564	235,980	–
Directors' current accounts	6,063	–	–	–
Accruals & deferred income	341,350	201,022	–	–
	1,234,015	668,493	466,098	–

18. Creditors: amounts falling due after more than one one year

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Other loans (see note 19)	–	315,000	–	–

19. Loans

An analysis of the maturity of loans is given below:

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Amounts falling due within one year or on demand:				
Bank overdrafts	58,838	44,698	–	–
Other loans	–	105,000	–	–
	58,838	149,698	–	–
Amounts falling due between one and two years:				
Other loans	–	105,000	–	–
Amounts falling due between two and five years:				
Other loans	–	210,000	–	–

20. Obligations under hire purchase contracts

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Net obligations repayable within one year	–	3,714	–	–

Notes to the Financial Statements continued

for the period 1 May 2004 to 30 June 2005

21. Provisions for liabilities and charges

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Deferred tax	96,456	41,542	14,724	–

Deferred tax

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Balance at 1 May 2004	41,542	(11,273)	–	–
Accelerated capital allowances	54,970	46,429	14,274	–
Deferred grant income	(24,107)	(3,539)	–	–
Relief for brought forward trading losses	–	9,925	–	–
Increase in tax rate	24,051	–	–	–
	96,456	41,542	14,724	–

22. Called up share capital

Group

Authorised: Number:	Class:	Nominal value:	2005 £	2004 $
60,000,000 (2004: 50,000)	Ordinary	1p (2004: $1)	600,000	50,000

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2005 £	2004 $
23,836,820 (2004: 27,628)	Ordinary	1p (2004: $1)	238,368	17,518

Company

Authorised: Number:	Class:	Nominal value:	2005 £	2004 £
60,000,000	Ordinary	1p	600,000	1,000

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2005 £	2004 £
23,836,820	Ordinary	1p	238,368	1

The group share information above relates to Emergent Technology Group Inc as at 30 April 2004 and the Company as at 30 June 2005.

On incorporation in April 2003, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each.

By an ordinary resolution passed on 15 June 2004:
(i) each of the 1,000 ordinary shares of £1 were subdivided into 100 ordinary shares of 1p each;
(ii) the capital of the Company was increased to £40,280 divided into 4,028,000 ordinary shares of 1p each;
(iii) the 100 ordinary shares then in issue and 3,677,900 of the unissued ordinary shares were all redesignated as A ordinary shares and 350,000 of the unissued ordinary shares were redesignated as B ordinary shares.

On 16 June 2004 Tristel plc acquired the entire issued ordinary share capital of Emergent Technology Group Inc in exchange for the issue of shares to shareholders on a one hundred-for-one basis. This resulted in the issued share capital being 2,762,816.

Immediately prior to the share for share exchange the issued share capital of Emergent Technology Group Inc comprised 27,628.16 ordinary bearer shares of $1 each.

Following the Group reorganisation, the Company issued a further 276,282 A ordinary shares of 1p each at £0.6153 per share at a total premium of £167,240 in order to provide increased working capital for the Group.

On 3 September 2004 the Company issued a further 27,628 A ordinary shares for £0.6153 per share resulting in a total premium of £16,724.

On 29 April 2005, 30,000 A ordinary shares were issued and on 23 May 2005 74,200 A ordinary shares were issued following the exercise of share options by two of the directors.

On 23 May 2005 there was a bonus issue whereby four A ordinary shares for every share held was issued. The result was an issue of 12,683,704 A ordinary shares.

By ordinary and special resolutions passed on 24 May 2005, the authorised share capital of the Company was increased to £600,000 divided into 60,000,000 A ordinary shares and the A ordinary and B ordinary shares were redesignated as ordinary shares with effect from admission of the ordinary shares to AIM.

On 27 May 2005, 760,876 ordinary shares were issued in consideration of the assignment of certain patents and other intellectual property.

On 31 May 2005, 3,167,260 ordinary shares were issued following the exercise of share options by certain employees and two of the directors.

On 1 June 2005, 4,054,054 ordinary shares were issued when the Company was admitted to AIM.

Notes to the Financial Statements continued

for the period 1 May 2004 to 30 June 2005

23. Reserves

Group

	Profit and loss account £	Share premium £	Merger reserve £	Totals £
At 1 May 2004	(735,206)	563,637	–	(171,569)
Deficit for the period	(80,428)	–	–	(80,428)
Bonus share issue	–	(126,837)	–	(126,837)
Purchase of own shares	–	(74,227)	–	(74,227)
Cash share issue	–	2,036,407	–	2,036,407
Share exchange	–	(489,410)	478,526	(10,884)
Share issue costs	–	(453,590)	–	(453,590)
Employee share option costs (UITF 17 charge)	207,600	–	–	207,600
At 30 June 2005	(608,034)	1,455,980	478,526	1,326,472

Company

	Profit and loss account £	Share premium £	Totals £
Retained profit for the period	8,959	–	8,959
Bonus share issue	–	(126,837)	(126,837)
Cash share issue	–	2,036,407	2,036,407
Share issue costs	–	(453,590)	(453,590)
At 30 June 2005	8,959	1,455,980	1,464,939

24. Derivatives and other financial instruments

The group's financial instruments include cash, debtors and creditors, which arise in the normal course of business. The group's financial liabilities in the period have comprised a bank overdraft, a bank loan, obligations under hire purchase contracts, a shareholder loan and a loan with Emergent Technology Group Inc (which at 30 June 2005 is no longer part of the group). It is, and has been throughout the period under review, the group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk.

This note deals with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). Fixed assets such as investments in subsidiary companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have also been excluded from the disclosures, other than the currency disclosures.

Interest rate risk and liquidity risk

The group has no financial assets other than cash deposits at bank of £1,212,112 (2004: £1) which are part of the financing arrangements of the group. The cash deposits comprise amounts placed on investment accounts to which the group has instant access. The group seeks to maximise interest receipts within these parameters. Interest receipts are cash on deposits at the prevailing rate.

The group's policy throughout the periods presented has been to minimise the risk by placing funds in low risk cash but to also maximise the return on funds placed on deposit.

Interest rate profile

All the group's cash deposits are subject to a floating interest rate which is linked to the UK bank base rate.
The interest rate profile of the group's financial liabilities are as follows:

	Fixed rate £	Floating rate £	Total £
2005			
Overdrafts	–	58,838	58,838
2004			
Overdrafts		44,698	44,698
Shareholder loan	420,000	–	420,000
Hire purchase contracts	3,714	–	3,714
	423,714	44,698	468,412

The interest rate on floating rate financial liabilities is linked to LIBOR. Further analysis of the fixed interest rate profile is as follows:

	2005 weighted average interest rate	2005 weighted average fixed rate period	2004 weighted average interest rate	2004 weighted average fixed rate period
Borrowings	8 %	4 years	10 %	6 years

Borrowing facilities

The group had no undrawn committed borrowing facilities at 30 June 2005 or 30 April 2004.

Fair values

In the opinion of the directors there was no significant difference between the book values and the fair values of the group's financial assets and liabilities at 30 April 2004 and 30 June 2005.

Notes to the Financial Statements continued

for the period 1 May 2004 to 30 June 2005

24. **Derivatives and other financial instruments** continued

Market price risk

The principal market price risk comprises interest rate exposure. The group funds are invested in cash deposits with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

Liquidity risk

The group's policy throughout the period regarding liquidity has been to maximise the return on funds placed on deposit but to minimise the associated risk by placing funds in low risk cash deposits.

25. Transactions with directors

The following loans to/(from) directors subsisted during the period ended 30 June 2005:

	£
P C Swinney	
Balance outstanding at start of period	45,985
Balance outstanding at end of period	(6,062)
Maximum balance outstanding during period	46,025
P C Clarke	
Balance outstanding at start of period	(412)
Balance outstanding at end of period	–
Maximum balance outstanding during period	–

The group has charged interest on overdrawn loans at a commercial rate.

The balance at start of period for P C Swinney of £45,985 as shown above comprises £60,000 owed to Emergent Technology Group Inc., and £14,025 owed by Tristel Solutions Limited.

In June 2004, £30,506 of a loan advanced previously to P C Swinney by a former subsidiary undertaking by that company was written off.

In October 2004 P C Swinney purchased a car from the group for consideration of £8,027, which was the fair value of the car at that time.

26. Related party disclosures

Sale of Emergent Technology Group Inc

On 28 February 2005, the entire share capital of Emergent Technology Group Inc was sold to Windsor International Corporation, a shareholder and a company controlled by F A Soler, a director of the Company, for a consideration of £27,628.

Transactions between the group and Bruce Green

Under the terms of a technology licence agreement between the group and Bruce Green, a shareholder in the Company, royalties of £120,535 (2004: £89,413) were paid to Mr Green during the period ended 30 June 2005.

Included in creditors at 30 June 2005 is accrued royalties payable to Mr Green of £20,941 (2004: £16,331).

On 3 September 2004, 27,628 A ordinary shares in the Company were issued to Bruce Green in consideration for fees waived in respect of the technology licence agreement. The shares were issued at a price of £0.6153.

On 27 May 2005, the Company issued 4% of the ordinary shares in issue to Bruce Green in exchange for the assignment of certain rights and patents.

Transactions between the group and Windsor International Corporation

A loan was advanced (initially in December 1997) from Windsor International Corporation, a company controlled by Francisco Soler, a director of Tristel plc, to Emergent Technology Group Inc. On 8 March 2004, by way of a formal loan agreement, it was agreed that £29,898 of additional interest be charged to the group for the period 31 May 2003 to 29 February 2004. From 8 March 2004, the interest rate was 8% per annum. The loan balance was repayable from 8 March 2004 in sixteen quarterly instalments of £26,250 which commenced on 28 September 2004. However the loan has been repaid in full prior to 30 June 2005.

27. Reconciliation of movements in shareholders' funds

Group

	2005 £	2004 £
Profit for the financial period	38,756	113,680
Dividends	(119,184)	–
	(80,428)	113,680
New share capital subscribed	1,666,719	–
Share related charges (UITF 17)	207,600	–
Purchase of own shares	(75,000)	(25,000)
Net addition to shareholders' funds	1,718,891	88,680
Opening shareholders' funds	(154,051)	(242,731)
Closing shareholders' funds	1,564,840	(154,051)
Equity interests	1,564,840	(154,051)

Notes to the Financial Statements continued

for the period 1 May 2004 to 30 June 2005

27. Reconciliation of movements in shareholders' funds continued

Company

	2005 £	2004 £
Profit for the financial period	128,143	–
Dividends	(119,184)	–
	8,959	–
New share capital subscribed	1,694,347	–
Net addition to shareholders' funds	1,703,306	–
Opening shareholders' funds	1	1
Closing shareholders' funds	1,703,307	1
Equity interests	1,703,307	1

Notes

Notes