Tristel

Tristel plc
Annual Report & Accounts
Year ended
30 June 2008

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INSIDE COVER PHOTO

COUNTER INFECTION: EXTENDING THE USE OF TRISTEL PRODUCTS THROUGH THE HOSPITAL MARKETPLACE.

Tristel in progress

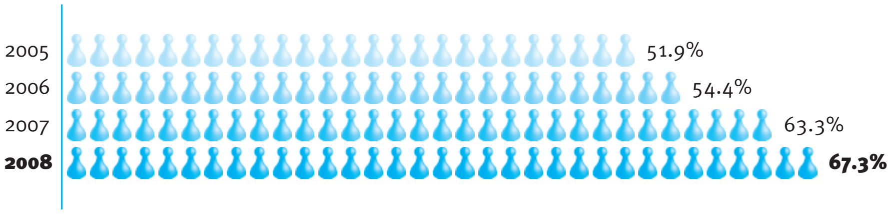
We are pleased to report another record year, our fourth as an AIM listed company.

REVENUE

COMPOUND ANNUAL GROWTH RATES

25.6%

GROSS PROFIT MARGIN



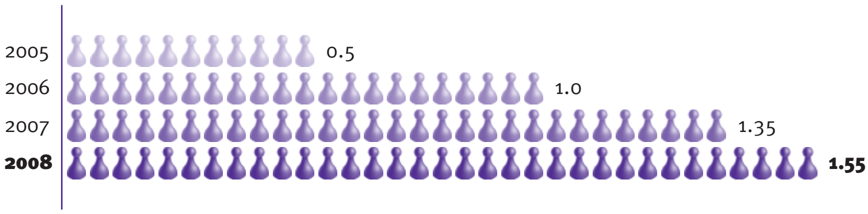
PROFIT BEFORE TAX, AMORTISATION OF INTANGIBLES, SHARE BASED PAYMENTS AND NON-RECURRING ITEMS

45.9%

PROFIT BEFORE TAX

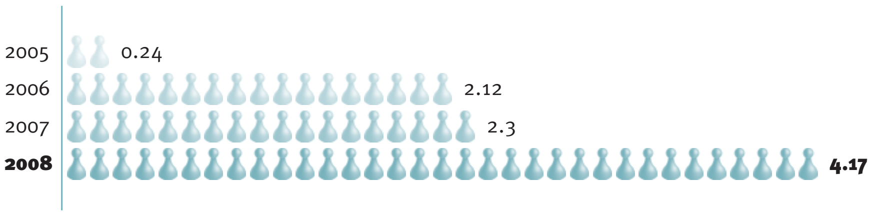
12.7x increase

DIVIDEND PER SHARE *pence*



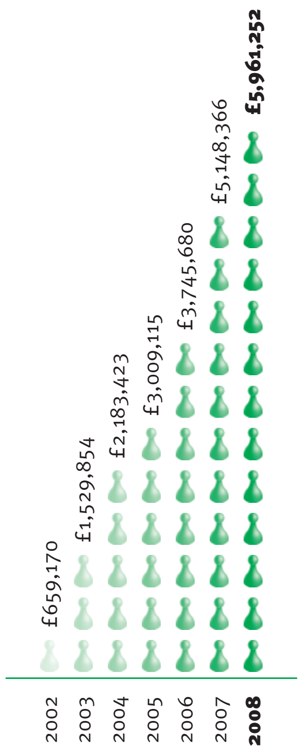
45.8%

BASIC EARNINGS PER SHARE *pence*



17x increase

REVENUE



Chairman's introduction

I am pleased to report that Tristel has made solid progress during the year ended 30 June 2008, increasing revenue by 15.8% to £5,961,252 (2007: £5,148,366). Profit before tax, amortisation of intangibles, share based payments and non-recurring items increased by 9.4% to £1,369,902 (2007: £1,252,720) and the operating margin before amortisation of intangibles, share based payments and non-recurring items remained steady at 23% (2007: 24%). Profit before tax increased by 54.6% to £1,216,577 (2007: £786,895).

The benefits of taking over the manufacture of our products in 2007 continued to flow with gross profit margin increasing to 67.3% (2007: 63.3%). During the year we made further investments in our manufacturing and warehousing capability, expanding our Newmarket premises to over 22,000 sq. ft.

Throughout 2007-08 we have continued to focus on the hospital marketplace. Our objectives remain the same as they were at the time of our flotation in June 2005, being:-

i) to develop for the hospital user products that are superior in terms of efficacy, safety and ease of use over existing products; and

ii) to develop new infection control 'solutions' if prevailing technologies and techniques do not provide an effective and practical method for the control of hospital acquired infection.

A key strength of the business that emerges from this product development strategy is the franchise that we build amongst the teams of nurses and doctors who are charged with the responsibility for infection control.

We have used a hospital 'site plan' theme in this Annual Report to illustrate how the strategy moves us through and around the modern hospital.

EPS and dividend

Basic earnings per share were 4.17 pence (2007: 2.3 pence), an increase of 81.3%. As a result of this positive performance, the Board is recommending that the final dividend be increased to 1.165 pence per share, making a total annual dividend of 1.55 pence per share, an increase of 14.8%. If approved, the final dividend will be paid on 19 December 2008 to shareholders on the register at 21 November 2008.

Employees

Our workforce has continued to grow and numbered 40 at the end of the financial year. The Board recognises the professionalism of our team and the important contribution they make to Tristel, and I would like to thank them for their efforts this year.

Outlook

Our business is all about hospital acquired infection, the importance of which will not diminish in the United Kingdom and overseas. Whilst the general level of healthcare spending is an important determinant of demand for Tristel's products, we believe that hygiene and infection control are critical expenditures. As long as we continue to deliver products with superior efficacy, greater safety, that are easier to use than those currently employed, our marketplace will present opportunities for continued growth. We can look forward to our future with confidence.

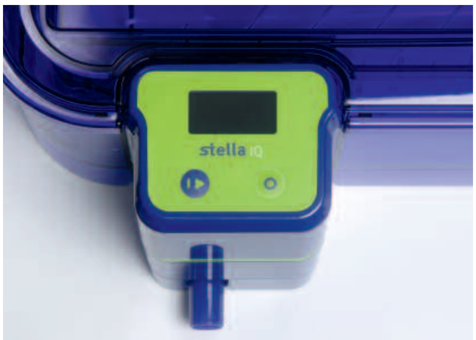
Francisco A. Soler
Chairman
6 October 2008

Chief Executive's review of activities

Tristel designs, develops, manufactures and sells products that control and eliminate the risks of cross infection and contamination. They are most relevant to, and are mostly used in, the healthcare setting.

Strategic overview

In the majority of our products we employ our lead technology – a proprietary chlorine dioxide formulation – in bespoke packaging and delivery systems, many of which enjoy extensive patent protection. We also utilise other biocidal chemistries and infection control technologies. This reflects the fact that our core competence is infection control; we are not exclusively a chlorine dioxide chemistry company.



STELLA

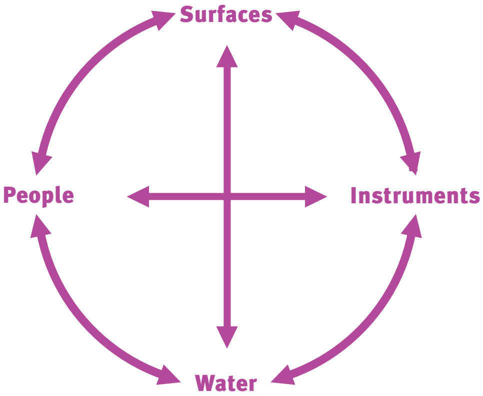
A TRAY USED FOR THE DISINFECTION OF ENDOSCOPES AND ULTRASOUND PROBES. IT IS UNIQUE IN ENABLING SINGLE USE OF THE DISINFECTANT AND RECORDING ALL STEPS OF THE DISINFECTION PROCESS.

Tristel is a consumable product led business. Our product development philosophy is to create single-use products and thereby enjoy frequent re-ordering and high visibility in our revenue stream. The products require only limited after sales service and support and we will continue with this business model.

We also supply users with equipment hardware to enable the use of the Tristel chemistry. In certain cases we undertake the design and development of such equipment ourselves; in others, we co-operate with third party industry partners. In all cases, the ongoing, underlying revenue stream from the Tristel consumable is of great economic significance.

Our product development strategy remains unchanged from the time of our flotation in June 2005. We develop products that address the routes of transmission of infection, as to succeed in the fight against hospital acquired infection a cohesive 'joined up' approach must be taken. A hospital acquired infection (HAI) is one that a patient did not have or was not incubating on entering hospital. Patients can

Instruments



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**.

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

We illustrate how this strategy has enabled Tristel to create pioneering and dominant positions in many areas of the modern hospital with the 'site plan' theme of this year's Annual Report.

Our original starting point was the decontamination of flexible endoscopes in a hospital's endoscopy department. This remains a core revenue stream.

Moving beyond endoscopy, we have created a dominant position in the ear, nose and throat area and in cardiology.

In 2007 we introduced the 'Tristel for Labs' product range which is now widely used in pathology laboratories.

During 2008 we have made pioneering inroads into the disinfection of ultrasound equipment. Ultrasound probes, used in such routine examinations as maternity scans, have historically not been disinfected between patients. We have created a pragmatic, affordable and effective means of decontaminating such equipment.

Also, during the year, we have created, in conjunction with the Academy of the European Society of Gynaecological Endoscopy, a suite of products that enable the high-level disinfection of all instruments, equipment and surfaces in IVF centres. The products are branded 'Tristel Life'.

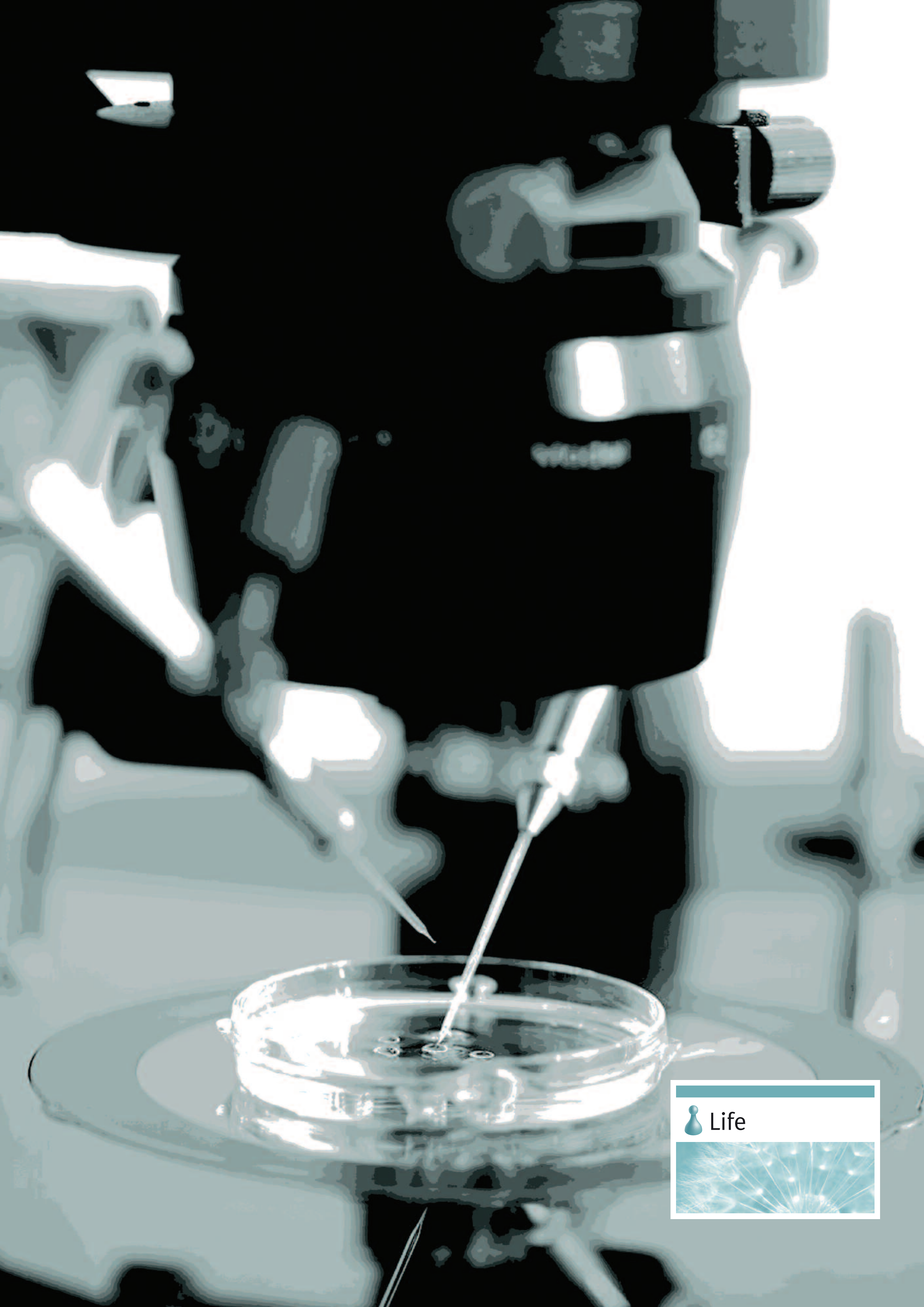
Our *Legionella* control products keep safe hospitals' hot and cold water supplies.

Finally, and very significantly for the long term future of Tristel, our suite of surfaces products are being rapidly adopted by hospitals to deal with *Clostridium difficile* which is responsible for so many deaths.

LIFE RANGE

FOLLOWING THE ENDORSEMENT OF TRISTEL BY 'THE ACADEMY OF THE EUROPEAN SOCIETY OF GYNAECOLOGICAL ENDOSCOPY', A NEW RANGE HAS BEEN DEVELOPED FOR USE IN IVF CLINICS.

THE NEW RANGE IS CALLED TRISTEL LIFE WHICH PROVIDES A RANGE OF PRODUCTS ESSENTIAL FOR THE IVF ENVIRONMENT.



Life

EXPANDING
GLOBAL SALES

2007
£178,000

2008
£308,000

Geographical expansion

Tristel has a clear strategy to expand its business internationally. In all of the countries that we sold products during the year, the business model employed has been to use a national distribution partner, with the exception of Italy, where we have supported an entrepreneur to establish Tristel Italia srl. A 20% shareholding has been taken in this company.

Export sales during the year increased by 73% to £308,000 (2007: £178,000), representing 5.2% of group total revenue (2007: 3.5%).

Market overview

Macro influences

The group's principal focus is the control of hospital acquired infection. There can be little doubt that the hospital hygiene and infection control issue will continue to be a high priority for healthcare providers, both in the United Kingdom and overseas. As a priority issue, the subject in the United Kingdom of well publicised performance targets, we anticipate that expenditure in this area will be reasonably well insulated from spending constraints that may be imposed elsewhere within healthcare.

Chlorine dioxide, the active ingredient in which we have specialised, is, without doubt, a highly effective and safe biocide. Its safety pedigree has been established by over ten years of widespread use in United Kingdom hospitals. Its effectiveness as a biocide is widely documented in scientific journals.

Regulatory influences

During the year the group continued to improve its quality systems, maintaining its registration under BSEN 13485, thereby ensuring that its hospital based products continue with their classification as medical devices.

On 13 June 2008, the company entered into a new 20 year supply agreement with Bio-Cide International Inc., Oklahoma, USA. Under the terms of this agreement Tristel not only extended the term of its distributorship in the United Kingdom for Bio-Cide's sodium chlorite chemistry –

a key ingredient in Tristel chlorine dioxide formulation – but also extended its exclusive distribution role to the entire European market.

Furthermore, under the terms of the agreement with Bio-Cide, Tristel has become its representative in the industry group that is sponsoring the registration of sodium chlorite and chlorine dioxide under the Biocidal Products Directive (BPD). Tristel and Bio-Cide will share in the costs and benefits of membership of this industry group.

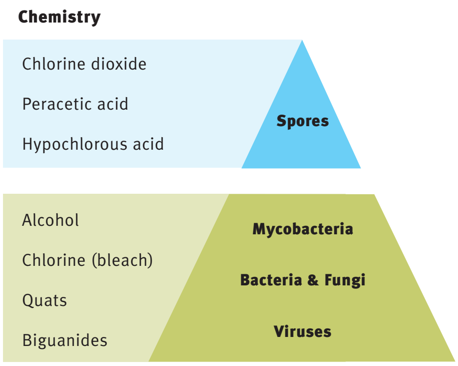
The active ingredient used in general purpose disinfectants, such as those used for surfaces, water and skin, has to be registered under the BPD. This Directive has been introduced by the European Community to limit the number of active ingredients that can be used, primarily for ecological and environmental reasons. Sodium chlorite has been approved by the EC and our industry group, of which we are now a member, 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.

Competition

In the arena of high-level disinfectants for medical devices, we continue to believe that Tristel is the sole manufacturer of chlorine dioxide products. A key characteristic of our chlorine dioxide chemistry is that it is rapidly effective against bacterial spores, which are considered to be the most resistant of micro organisms. As a consequence, Tristel products are described as 'sporicidal'. The much publicised pathogen *Clostridium difficile* is a sporing organism.

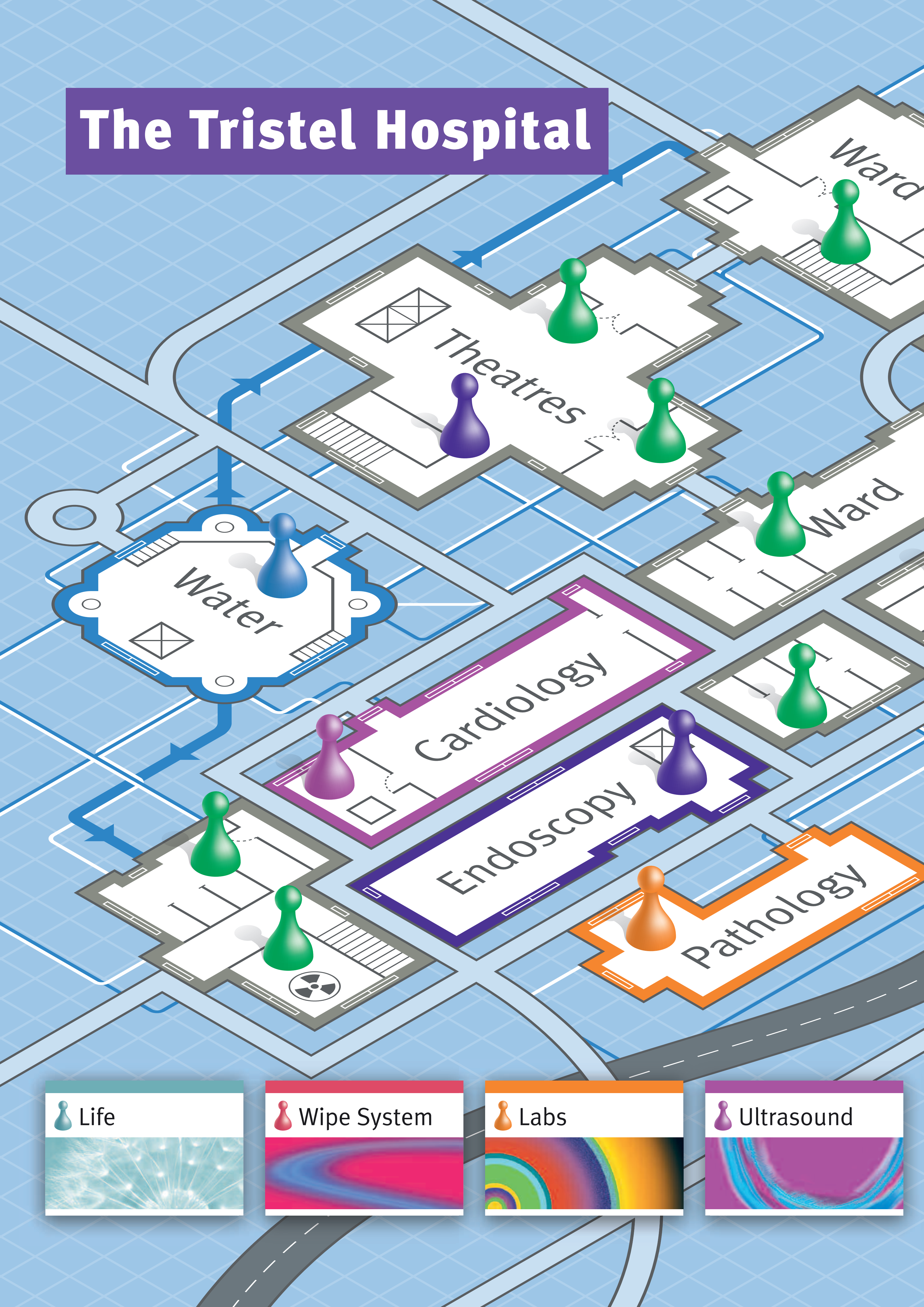
There are a few other chemistries that can compete with chlorine dioxide in terms of claiming sporicidal activity, the most widely used of which are peracetic acid and hydrogen peroxide. However, only chlorine dioxide is both safe and practical for use and can be employed across all the four routes of transmission – instruments, surfaces, water and skin.

SUPERIOR TECHNOLOGY
THE TWO TABLES BELOW SHOW HOW TRISTEL'S CHLORINE DIOXIDE CHEMISTRY IS THE *ONLY* AGENT EFFECTIVE AGAINST SPORES THAT CAN BE USED SAFELY ON INSTRUMENTS, SURFACES, WATER AND SKIN.



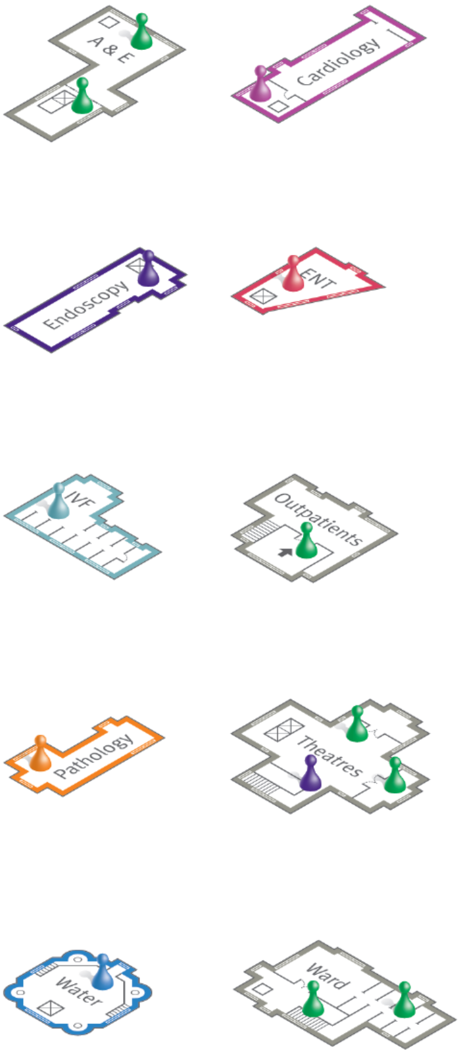
Chemistry	Instruments	Surface	Water	Skin
Chlorine dioxide	✓	✓	✓	✓
Peracetic acid	✓			
Hypochlorous acid	✓			
Alcohol		✓		✓
Chlorine (bleach)		✓	✓	
Quats		✓		✓
Biguanides		✓		✓

The Tristel Hospital




A & E
Outpatients
ENT
IVF
Surfaces
Instruments
Water

As explained previously, our product development strategy exploits this unique characteristic of our chlorine dioxide chemistry. A substantial investment both in terms of cost and time would be required to catch up with the first mover advantage that Tristel has established.



TRISTEL AND THE MODERN HOSPITAL
TRISTEL'S STRATEGY IS TO DEVELOP STRONGLY BRANDED PRODUCTS TARGETED AT SPECIFIC AREAS WITHIN THE HOSPITAL.

EFFECTIVE, SAFE AND SIMPLE TO USE PRODUCTS MEAN SAFE EQUIPMENT AND CLEAN HOSPITALS.

Results and finance

Revenue

Tristel has enjoyed another year of solid growth, increasing group revenues by 15.8% to £5,961,252. (2007 37.4% to £5,148,366).

Margins and operating profit

Whilst the build and fit-out of our manufacturing facility was completed by 30 June 2007, in-house production of our products only commenced in May 2007 and was initially limited to a small part of the product portfolio.

During the first half of the financial year ended 30 June 2008, all production was transferred from our contract manufacturer to our in-house facility. The benefits of this can be seen in the increase in gross profit margin from 63.3% last financial year to 67.3% in 2008.

Excluding amortisation of intangibles and share based payments (and non-recurring items in the 2007 comparable figure), operating profits increased by 9.4% to £1,369,902 (2007 49.1% to £1,252,720) and the operating margin remained steady at 23% (2007 24%).

Earnings

The growth in basic earnings per share and diluted earnings per share was 81.3% and 79.6% respectively. (2007 8.5% and 8.1% respectively).

Capital expenditure and investments

The group has continued to invest in its manufacturing and warehousing capability, new product development and its participation in the Sodium Chlorite Registration Group for the BPD. Capital and investment expenditure during the year totalled £1,003,000.

The main elements of this investment were:–

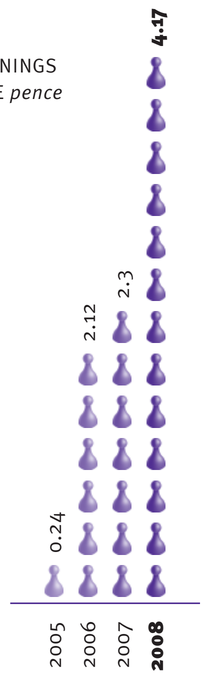
- Expansion of the production facility, £233,000
- Sodium Chlorite Registration Group, £83,000
- Product development projects which were substantially completed by the year end included 'Stella', the sterilising tray, and 'Shine', the washer-disinfector for the Ear, Nose and Throat market, £532,000

Treasury and deployment of capital

The group's working capital and capital expenditures have been financed from operating cash flow and the proceeds of a placing that was concluded on 18 March 2008. Under the terms of the placing 2,440,000 ordinary shares of 1p each were placed with institutions at a price of 41p per share, raising £1,000,400 before associated costs. The proceeds of the placing were used to repay advances under an invoice discounting facility and overdraft facilities provided by the group's bankers.

The group has adequate debt facilities to fund its foreseeable working capital and capital expenditure needs.

BASIC EARNINGS PER SHARE *pence*



The year ahead

As we expand the applications of our lead technology, thereby creating new product sets for new uses and in new areas in our hospital marketplace, we increase our scope for revenue growth. In 2008 the surfaces and ultrasound product suites began to make their mark, albeit barely a scratch so far. All of our products, because of their performance characteristics and safety profiles, are hugely relevant to the hospital acquired infection issue. We look forward to driving top line growth during 2009 and, through focus and discipline, maintaining the profitability of the group.

Post Balance sheet events

The directors have considered the events since the balance sheet date and consider that there are no events requiring disclosure or amendment to the financial statements.

Paul Swinney
Chief Executive
6th October 2008

Surfaces

Directors' Biographies

Francisco A Soler (aged 62)
Non-Executive Chairman
(Member of Remuneration & Audit Committees)

Francisco Soler is a founding shareholder of the group and is 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), a company that was listed on the New York Stock Exchange before being taken private by a private equity group. He is Chairman of International Bancorp of Miami, Inc., the holding company of the International Bank of Miami N.A., and of Harbour Club Milano, a multi-sports club in Italy. 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. He is a Knight of the Order of Malta and the El Salvador Ambassador to the Holy City.

Paul C Swinney (aged 50)
Chief Executive

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 later became Tristel Solutions Ltd. He has been Chief Executive and a shareholder since inception.

Paul Barnes (aged 54)
Finance Director

Paul Barnes is a Chartered Certified Accountant with extensive experience of developing SME businesses from concept to listing and sale. He was a founder and Finance Director of Tradepoint Financial Networks plc, which was admitted to trading on AIM and achieved formal recognition as a Recognised Investment Exchange during his time at the company. He was formerly Finance Director of Oxford Catalysts Plc. He was appointed to the Board of Tristel in June 2004.

Peter Stephens (aged 52)
Non-Executive Director
(Chairman of Remuneration 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 Clarke (aged 44)
Non-Executive Director

Peter Clarke is currently Managing Director of Carolon Europe, a healthcare business which services the NHS and other medical markets. He is one of the founding shareholders and a Board Member since inception.

Antonio Soler (aged 32)
Non-Executive Director
(Chairman of Audit Committee)

With degrees from Harvard College and INSEAD, Antonio Soler has worked in finance as an M&A specialist at Merrill Lynch & Co; in technology as a co-founder of Skillvest Ltd; and as a Global Strategist in the office of the Chairman of Samsung in South Korea. He currently works as a Non-executive on various company Boards.

Bruce Green (aged 63)
Non-Executive Director

Bruce Green has acted as a consultant to Tristel since the inception of the business in 1993. He is the original inventor/pioneer of Tristel's proprietary chlorine dioxide technology.

Company Information for the year ended 30 June 2008

Directors
P C Swinney
F A Soler
P M Barnes
P C Clarke
B C Green
P F H Stephens
A F Soler

Secretary
P M Barnes

Registered Office
Unit 1B
Lynx Business Park
Fordham Road
Snailwell
Cambridgeshire
CB8 7NY

Registered Number
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Auditors
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Chartered Accountants – Registered Auditors
No 1, Whitehall Riverside
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LS1 4BN

Broker
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Becket House
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EC2R 8DD

Solicitors
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One London Wall
London
EC2Y 5AB

Patent Attorneys
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Martlesham Heath
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IP5 3SL

Registrars
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PO Box 859
The Pavilions
Bridgewater Road
Bristol
BS99 7NH

Directors' Remuneration Report for the year ended 30 June 2008

Introduction
It is not a requirement for Companies that have securities listed on AIM to comply with the disclosure requirements of Directors' Remuneration Report Regulations 2002 or to comply with the UKLA Listing Rules and the disclosure provisions under schedule 7A of the Companies Act 1985. 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 the non-executive directors under the chairmanship of Mr Peter Stephens. 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 insurances.

Remuneration Package for Executive Directors
Executive directors' remuneration packages are considered annually and comprise a number of elements as follows:

a) Base Salary
The base salary is reviewed annually in June each year. The review process undertaken by the Remuneration Committee has regard to the profitability and ongoing development of the group and the contribution that individuals will continue to make. Consideration is also given to the need to retain and motivate individuals and available information on the salary levels in comparable organisations. To assist in this process the Remuneration Committee draws on the findings of external salary surveys and undertakes its own research.

b) Annual Performance Incentive
All executive directors are eligible, at the discretion of the Remuneration Committee, for an annual bonus. The Remuneration Committee considers bonus awards, which are capped, at the beginning of each year and any such awards are determined by both the performance of the individual and the group as a whole for the previous year.

c) Pensions and Other Benefits
The group does not operate a group pension scheme; instead individuals receive contributions to their private pension arrangements.

Other benefits provided are life assurance and private medical insurance. Currently no company cars are provided, but directors are paid an allowance for business miles travelled in accordance with HMRC guidelines.

d) Share Options
Executive directors may, at the discretion of the Remuneration Committee, be awarded share options. Where share options are to be granted, they will be granted at the closing mid market value of the company's ordinary shares on the day prior to grant or higher and vest over a period of up to three years.

Directors' Remuneration Report continued

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 other 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 which are reviewed annually by the Board. They are included in the one third of directors subject to retirement by rotation at each Annual General Meeting.

Directors' Remuneration

The directors received the following remuneration during the period to 30 June 2008.

	Salary and fees £'000	Bonus £'000	Taxable benefits £'000	Share based pmts IFRS 2 £'000	2008 Total (excl. pension) £'000	2007 Total (excl. pension) £'000	2008 Pension £'000	2007 Pension £'000
Executive								
Mr Paul Swinney	129	–	2	6	137	148	12	12
Mr Paul Barnes	61	–	3	–	64	64	6	6
Non-Executive								
Mr Francisco Soler	–	–	–	–	–	12	–	–
Mr Peter Stephens	20	–	–	–	20	12	–	–
Mr Peter Clarke	12	–	–	–	12	12	–	–
Mr Antonio Soler	42	–	–	–	42	–	–	–
Mr Bruce Green	3	–	–	–	3	–	–	–
Aggregate Emoluments	267	–	5	6	278	248	18	18

During the year under review the Remuneration Committee amended the terms of Mr Paul Swinney's service contract, so that in the event of a change in control of the group, he would receive a payment equivalent to 150% of his then prevailing annual salary.

Directors' Share Options

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:

	Total shares granted	Total shares vested at 1 July 2007	Shares vesting in the year to 30 June 2008	Total shares vested at 30 June 2008	Excercise price	Earliest date of exercise	Date of expiry
Executive							
Mr Paul Swinney	250,000	125,000	62,500	187,500	59.5p	23/12/05	22/12/15

The options held by the directors are subject to vesting arrangements over the life of the options. An initial tranche of options became exercisable on the grant of the options. Further tranches become exercisable over periods ranging from twelve months to thirty-six months following the grant of the options. The balance of options becomes exercisable in December 2008.

Directors' Shareholdings

The interests of the directors in the shares of the company at 30 June 2008 and 30 June 2007 were:

Ordinary 1p shares	30 June 2008	30 June 2007
Executive		
Mr Paul Swinney	1,565,742	2,718,986
Mr Paul Barnes	556,260	556,260
Non-Executive		
Mr Francisco Soler	7,627,228	8,627,228
Mr Peter Stephens	1,095,681	593,937
Mr Peter Clarke	21,811	21,811
Mr Antonio Soler	–	–
Mr Bruce Green	924,016	864,016

The market price of the company's shares as at 30 June 2008 was 45.5p. The range during the year was 38.75p to 65p (source – London Stock Exchange).

Corporate Governance Report for the year ended 30 June 2008

Corporate Governance

Companies who have their securities traded on the Alternative Investment Market (AIM) are not required to comply with the disclosure requirements of the Combined Code 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 has taken steps to adopt the underlying principles required for good governance, in so far as appropriate given the size of the company and the nature of its operations.

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 any and all applicable rules and regulations are complied with.

Directors are subject to election by shareholders at the first opportunity after their appointment. In addition, one third of the directors are subject to retirement by rotation at each Annual General Meeting.

Committees of the Board

Remuneration Committee

The Remuneration Committee comprises the non-executive directors under the chairmanship of Mr Peter Stephens. 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, having 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 on discussions or decisions concerning his own remuneration.

The Directors' Remuneration Report is set out on pages 17 to 18.

Audit Committee

The Audit Committee comprises the non-executive directors under the Chairmanship of Mr Antonio Soler. Under its terms of reference it meets at least three times a year and amongst other duties, overviews the monitoring of the group's internal controls, accounting policies and financial reporting, and provides a forum through which the external auditors report. It meets at least once a year with the external auditors without executive management present.

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 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 web site www.tristel.com contains full details of the group's activities, press releases and other details, as well as a link to the relevant web page of the London Stock Exchange web site for 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 a group of the company's size, and cover 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.

Corporate Governance Report continued

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 ongoing process with reviews being undertaken 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, and 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 and through written commentary compared to budgets and projections to identify 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.

Report of the Directors for the year ended 30 June 2008

The directors present their report with the financial statements of the company and the group for the year ended 30 June 2008.

Principal Activity

The principal activity of the group in the year under review was that of the design, manufacture and sale of infection control and water treatment products. Tristel Plc is a public limited company and is incorporated and domiciled in the United Kingdom.

Review of Business and Future Developments

The Chairman's introduction on page 2 and the Chief Executive's review of activities on pages 4 to 13 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 consider the primary KPI's for the group to be revenues and gross margin %. These are both measured and monitored closely. Current period revenue is £5,961,252 (2007 – £5,148,366); Gross margin % for the year is 67.3% (2007 – 63.3%).

In addition to financial KPI's, the directors measure and monitor closely various non-financial KPI's, these include:

i) 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 any major non-conformances 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 bi-monthly management reviews of technical files. No major non-conformances were registered; and

ii) 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 supply in a timely manner the group's existing product portfolio; the timing of developing new products to meet the requirements of customer demands; the successful implementation of new contracts; the achievement of the demanding service levels included in existing customer contracts; prolonged disruption to the group's manufacturing base; the group's ability to attract and retain the right quality and quantity of personnel; the failure of a product supplied by the group and the ability to continue to develop and commercialise new products in such a way to produce a satisfactory level of profitability.

The group keeps each of these risks under review working pro-actively in this regard. Each of the risks listed above, to a greater or lesser degree would have an impact on the financial performance of the group.

External Risks

The group's performance is also subject to external macroeconomic conditions and changes in factors such as exchange rates, interest rates and inflation. 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 business.

Operations in emerging or new markets may have a higher than average risk of political or economic instability, and may carry increased credit and financial risk. As a result, careful consideration is given to operations in emerging or new markets before the group enters that market.

Financial Risks

The group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk, interest rate risk, liquidity risk and exchange rate risk. The use of financial derivatives is governed by the group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives to manage these risks. At present the group does not use financial derivatives.

The group's financial instruments comprise cash, liquid resources, trade receivables and payables.

The main purpose of these financial instruments is the funding of the group's activities. It has been the group's policy throughout the period under review that no trading in financial instruments shall be undertaken.

Report of the Directors continued

Review of Business and Future Developments continued

Credit Risk

The group's principal financial assets are bank balances, cash and 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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Cash Flow Risk

The group's activities expose it primarily to the financial risks of changes in interest rates. Interest bearing assets and liabilities are held, wherever possible, at fixed rates to ensure certainty of cash flows.

Liquidity Risk

Group policy is to build and retain sufficient cash balances to meet its anticipated requirements over a two to three year period. Surplus funds are placed on time deposits, with cash balances available for immediate withdrawal if required.

Results and Dividends

There was a profit for the year after taxation amounting to £1,049,000 (2007: £551,000).

A final dividend of £244,429 (1p per share) was paid during the year in respect of the year ended 30 June 2007. (2006 – £172,817 (0.725p per share)).

An interim dividend of £94,105 (0.385p per share) was paid during the year in respect of the year ended 30 June 2008 (2007 £83,429, 0.35p per share) and the directors recommend a final dividend of 1.165p per share (2007 1p per share). The total distribution of dividends for the year ended 30 June 2008 will be £407,291 (2007 – £327,858).

A review of the group's performance for the year ended 30 June 2008 is contained in the Chairman's introduction and the Chief Executive's review of activities.

Share Issue

On 18 March 2008, the company issued 2,440,000 new ordinary shares of 1p each for an aggregate consideration of £1,000,400. The shares were issued to assist the group with its continuing product development programme and for working capital purposes.

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 future.

Directors

The directors shown below have held office during the whole of the period from 1 July 2007 to the date of this report.

P C Swinney
F A Soler
P M Barnes
P C Clarke
P F H Stephens
A F Soler

Other changes in directors holding office were:
B C Green – appointed 3 April 2008

All of the directors, with the exception of B C Green, retire by rotation, but will be proposed for re-election at the Annual General Meeting. Mr B C Green was appointed as an additional director on 3 April 2008 and will also be proposed for election at the Annual General Meeting.

The group provides directors and officers indemnity insurance for the benefit of the directors of the group. For the year to 30 June 2008, the policy cost £4,195 (2007 £1,398).

Details of directors' interests in the share capital of the company are disclosed in the Directors' Remuneration Report set out on pages 17 to 18.

Report of the Directors continued

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 2008 were equivalent to 49 days purchases (2007: 51 days).

Trade creditors of the group at 30 June 2008 were equivalent to 48 days purchases (2007: 51 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 company, 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 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 2008.

	Number of shares	% of issued share capital
Brewin Dolphin Securities	1,325,963	4.93%
M D Barnard & Co	1,141,324	4.25%
Rathbone Investment Management	1,118,000	4.16%
Singer & Friedlander	875,354	3.26%

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments 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 company will continue in business.

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

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken 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 legislation in other jurisdictions.

Auditors

The auditors, Grant Thornton UK LLP, were appointed during the year. They will be proposed for re-appointment in accordance with the Companies Act 2006.

BY ORDER OF THE BOARD

PAUL BARNES

SECRETARY

06 OCTOBER 2008

Report of the Independent Auditors to the Members of Tristel Plc

We have audited the group and parent company financial statements (the 'financial statements') of Tristel Plc for the year ended 30 June 2008 which comprise the Consolidated income statement, the Consolidated and Company balance sheets, the Consolidated and Company cash flow statements, the Consolidated and Company statements of changes in equity, and notes 1 to 24. These financial statements have been prepared under 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 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 Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Chairman's introduction, the Chief Executive's review of activities, the Directors' Remuneration Report, the Corporate Governance Report and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

Report of the Independent Auditors continued

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR –
CHARTERED ACCOUNTANTS
NO 1 WHITEHALL RIVERSIDE
WHITEHALL ROAD
LEEDS LS1 4BN

Consolidated Income Statement

for the year ended 30 June 2008

	NOTE	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Revenue		5,961	5,148
Cost of sales		(1,950)	(1,890)
Gross profit		4,011	3,258
Other operating income		20	20
Administrative expenses – share based payments (IFRS 2)		(37)	(30)
Administrative expenses – depreciation and amortisation		(309)	(206)
Administrative expenses – other		(2,417)	(1,912)
Total administrative expenses		(2,763)	(2,148)
Exceptional item	4	–	(349)
Operating profit		1,268	781
Finance income	5	8	7
Finance costs	5	(59)	(1)
Profit before tax		1,217	787
Taxation	7	(168)	(236)
Profit for the year		1,049	551
Attributable to:			
Equity holders of parent		1,049	551
Earnings per share from total and continuing operations			
Basic – pence	10	4.17	2.30
Diluted – pence	10	4.06	2.26

All amounts relate to continuing operations.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2008

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
1 July 2006	238	1,456	478	(166)	2,006
Profit for the year ended 30 June 2007	–	–	–	551	551
Total recognised income and expense for the year	–	–	–	551	551
Dividends paid	–	–	–	(257)	(257)
Issue of shares	6	294	–	–	300
Share based payments – IFRS 2	–	–	–	30	30
30 June 2007	244	1,750	478	158	2,630
Profit for the year ended 30 June 2008	–	–	–	1,049	1,049
Total recognised income and expense for the year	–	–	–	1,049	1,049
Dividends paid	–	–	–	(339)	(339)
Issue of shares	25	913	–	–	938
Share based payments – IFRS 2	–	–	–	37	37
30 June 2008	269	2,663	478	905	4,315

Company Statement of Changes in Equity

for the year ended 30 June 2008

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
1 July 2006	238	1,456	64	1,758
Profit for the year ended 30 June 2007	–	–	533	533
Total recognised income and expense for the year	–	–	533	533
Dividends paid	–	–	(256)	(256)
Issue of shares	6	294	–	300
Share based payments – IFRS 2	–	–	30	30
30 June 2007	244	1,750	371	2,365
Profit for the year ended 30 June 2008	–	–	296	296
Total recognised income and expense for the year	–	–	296	296
Dividends paid	–	–	(339)	(339)
Issue of shares	25	913	–	938
Share based payments – IFRS 2	–	–	37	37
30 June 2008	269	2,663	365	3,297

Consolidated Balance Sheet

for the year ended 30 June 2008

	NOTE	2008 £'000	2007 £'000
Non-current assets			
Goodwill	11	779	774
Intangible assets	12	1,996	1,495
Property, plant and equipment	13	844	734
Investments	14	17	–
Deferred tax	22	33	–
		3,669	3,003
Current assets			
Inventories	15	638	488
Trade and other receivables	16	1,367	1,147
Cash and cash equivalents	17	81	38
		2,086	1,673
Total assets		5,755	4,676
Capital and reserves attributable to the Company's equity holders			
Share capital	23	269	244
Share premium account		2,663	1,750
Merger reserve		478	478
Retained earnings		905	158
Equity attributable to equity holders of parent		4,315	2,630
Current liabilities			
Trade and other payables	18	958	1,369
Bank overdrafts	19	5	165
Interest bearing loans and borrowings	19	46	100
Current tax		376	230
Total current liabilities		1,385	1,864
Non-current liabilities			
Deferred tax	22	–	182
Interest bearing loans and borrowings	19	55	–
Total non-current liabilities		55	182
Total liabilities		1,440	2,046
Total equity and liabilities		5,755	4,676

THE FINANCIAL STATEMENTS WERE APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 6TH OCTOBER 2008, AND WERE SIGNED ON ITS BEHALF BY:

PAUL BARNES
FINANCE DIRECTOR
6TH OCTOBER 2008

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Company Balance Sheet

for the year ended 30 June 2008

	NOTE	2008 £'000	2007 £'000
Non-current assets			
Intangible assets	12	1,019	995
Investments	14	1,606	1,547
Deferred tax	22	30	–
		2,655	2,542
Current assets			
Trade and other receivables	16	1,086	358
Cash and cash equivalents	17	64	–
		1,150	358
Total assets		3,805	2,900
Capital and reserves attributable to the Company's equity holders			
Share capital	23	269	244
Share premium account		2,663	1,750
Retained earnings		365	371
Equity attributable to equity holders of parent		3,297	2,365
Current liabilities			
Trade and other payables	18	415	255
Bank overdrafts	19	–	15
Current tax liabilities		93	228
Total current liabilities		508	498
Non-current liabilities			
Deferred tax liabilities	22	–	37
Total non-current liabilities		–	37
Total liabilities		508	535
Total equity and liabilities		3,805	2,900

THE FINANCIAL STATEMENTS WERE APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 6TH OCTOBER 2008, AND WERE SIGNED ON ITS BEHALF BY:

PAUL BARNES
FINANCE DIRECTOR
6TH OCTOBER 2008

THE NOTES FORM PART OF THESE FINANCIAL STATEMENTS

Consolidated Cash Flow Statement

for the year ended 30 June 2008

	NOTE	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash generated from operating activities	i	831	1,243
Interest paid		(59)	(1)
Corporation tax paid		(237)	(129)
		535	1,113
Cash flows from investing activities			
Interest received		8	7
Purchase of intangible assets		(616)	(462)
Acquisition of investments		(17)	–
Purchases of property, plant and equipment		(365)	(545)
Proceeds from sale of property, plant and equipment		58	–
Net cash used in investing activities		(932)	(1,000)
Cash flows from financing activities			
Loans received		140	100
Loans repaid		(139)	(204)
Share issues		1,000	–
Cost of share issues		(62)	–
Dividends paid		(339)	(256)
Net cash used in financing acitivites		600	(360)
Net increase/(decrease) in cash and cash equivalents		203	(247)
Cash and cash equivalents at the beginning of the period	ii	(127)	120
Cash and cash equivalents at the end of the period	ii	76	(127)

Notes to the Consolidated Cash Flow Statement

for the year ended 30 June 2008

i. Reconciliation of profit before tax to cash generated from operations

	2008 £'000	2007 £'000
Profit before tax	1,217	787
Adjustments for:		
Depreciation	193	119
Amortisation of intangible assets	115	87
Share based payments – IFRS 2	37	30
Loss of disposal of property, plant and equipment	(4)	4
Government grants	(20)	(20)
Finance costs	59	1
Loan charges	1	–
Finance income	(8)	(7)
	1,590	1,001
Increase in inventories	(150)	(93)
Increase in trade and other receivables	(220)	(216)
(Decrease)/increase in trade and other payables	(389)	551
Cash generated from operations	831	1,243

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:

	30 June 2008 £'000	1 July 2007 £'000
Year ended 30 June 2008		
Cash and cash equivalents	81	38
Bank overdrafts	(5)	(165)
	76	(127)

	30 June 2007 £'000	1 July 2006 £'000
Year ended 30 June 2007		
Cash and cash equivalents	38	174
Bank overdrafts	(165)	(54)
	(127)	120

Company Cash Flow Statement

for the year ended 30 June 2008

	NOTE	2008 £'000	2007 £'000
Cash flows from operating activities			
Cash (used in)/generated from operating activities	a	(186)	742
Interest paid		(1)	–
Corporation tax paid		(233)	–
		(420)	742
Cash flows from investing activities			
Purchase of intangible assets		(83)	(349)
Addition to goodwill		(5)	–
Acquisition of investment		(17)	–
Interest received		5	6
Net cash used in investing activities		(100)	(343)
Cash flows from financing activities			
Shares issued		1,000	–
Cost of share issue		(62)	–
Dividends paid		(339)	(256)
Net cash from/(used in) financing activities		599	(256)
Increase in cash and cash equivalents		79	143
Cash and cash equivalents at the beginning of the period	b	(15)	(158)
Cash and cash equivalents at the end of the period	b	64	(15)

Notes to the Company Cash Flow Statement

for the year ended 30 June 2008

a. Reconciliation of profit before tax to cash generated from operations

	2008 £'000	2007 £'000
Profit before tax	327	732
Amortisation of intangibles	59	29
Share based payments – IFRS 2	–	30
Finance costs	1	–
Finance income	(5)	(6)
	382	785
Increase in trade and other receivables	(728)	(246)
Increase in trade and other payables	160	203
Cash generated from operations	(186)	742

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 2008 £'000	1 July 2007 £'000
Year ended 30 June 2008		
Cash and cash equivalents	64	–
Bank overdrafts	–	(15)
Shareholders loans	–	–
	64	(15)

	30 June 2007 £'000	1 July 2006 £'000
Year ended 30 June 2007		
Cash and cash equivalents	–	98
Bank overdrafts	(15)	(52)
Shareholders loans	–	(204)
	(15)	(158)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2008

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").

The group has decided to adopt early IFRS 8 *Operating Segments,* which replaces IAS 14 *Segment Reporting.*

These financial statements also include adoption of IFRS 7 *Financial Instruments: Disclosures*, which replaces IAS 32 *Financial Instruments: Presentation and Disclosures.* All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements.

The first-time application of IFRS 7 and IFRS 8 however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 30 June 2008. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as 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 asset 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. The purchase method 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 bases 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.

Business combinations completed prior to 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 and minority interest are 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.

Significant judgments and estimates

The preparation of financial statements in conformity with IFRS requires management 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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 judgments and sources of estimation made in preparation of the financial statements relate to intangible assets, goodwill and research and development, where judgements are made to determine when a development project meets the group's capitalisation criteria.

Tests have been undertaken using commercial judgements and a number of assumptions and estimates have been made to support their carrying amounts, assessed against expected financial returns. The details of these assumptions are set out in note 11.

Revenue recognition

Revenue is the amount receivable by the group in the ordinary course of business with outside customers for the group's proprietary chlorine dioxide based products, shipped as a principal and for ancillary goods and services provided, excluding value added tax and trade discounts. Product revenue is recognised upon shipment of product, service income, which relates to ancillary support services, is recognised upon the relating services having been completed or over the term of the contract where relevant.

Goodwill

Goodwill arising on 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 initially recognised 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 each of the group's cash-generating units expected to benefit from the synergies of combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, 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.

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 to the income statement on a straight line basis over estimated useful lives of intangible assets.

Intangible assets are tested for impairment if there is indication of impairment. Intangible assets are amortised from the date they are brought into use. The estimated useful life of the identified intangible assets is ten years.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

1. Accounting Policies continued

Intangible assets – 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.

Generator development costs	Straight line over useful economic life of seven years from 1 July 2007
Other development costs	Straight line over useful economic life of seven years

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

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:

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

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.

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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. 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.

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.

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 buildings elements according to the relative fair values of the leasehold interests at the date of entering into the lease agreement.

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 to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Financial liabilities and equity
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.

Financial instruments
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, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2008

1. Accounting Policies continued

Financial instruments continued

A financial instrument is recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised 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 derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other receivables

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

Trade and other payables

Trade payables are initially recognised 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 in the period in which the dividends are approved by shareholders, while interim dividends are recognised in the period in which the dividends are paid.

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 the retained income and expenditure reserve.

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, nor 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 joint ventures 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 (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling on the date of the transaction. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. These translation differences are dealt with in the income statement.

Government grants

Government grants relating to capital expenditure are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Grants of a revenue nature are credited to the income statement so as to match them with the expenditure to which they relate.

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

Costs are charged to the income statement as incurred.

Exceptional costs

Costs which alter the group's earnings during a given reporting period and which are a part of the group's trading activities but are unusually large and are not in the normal course of business, are charged to the income statement in the period in which they are incurred and are disclosed separately in the income statement and the notes to the financial statements.

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 the contributions actually paid are shown a either accruals or prepayments in the balance sheet.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

1. **Accounting Policies** continued

Adoption of IFRS 8 *Operating Segments*

The group has decided to adopt early IFRS 8 *Operating Segments*, which replaces IAS 14 *Segment Reporting*. However, the adoption of this Standard has not affected the way the group identifies separate operating segments relevant for segment reporting. The group presents segment results in accordance with internal management reporting information. The main changes are that:

- Segment results are based on operating results of each segment. Finance costs and income, including gains and losses resulting from accounting for investments at equity and taxes or the results of any discontinued operations, are excluded from segment results.
- In addition, the group's management does not consider share-based payment expenses when making decisions about allocating resources to each segment and assessing its performance.

Refer to note 2 on page 38 for further information about the group's updated segment reporting accounting policies.

Adopted IFRSs not yet applied

The following Standards and Interpretations have been issued but are not yet effective. They have not been adopted early by the group with the exception of IFRS 8.

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- IFRS 8 Operating Segments (effective 1 January 2009)
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

The adoption of these Standards and Interpretations is not expected to impact the group significantly, except for additional disclosures and amendments to presentation as required by IAS 1.

Associates

Entities whose economic activities are controlled jointly by the group and by other ventures independent of the group are accounted for using the equity method.

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, when activities are, in the opinion and judgement of the directors, considered material, 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 associate are reported in "share of profits of associates" in the consolidated income statement and therefore affect net results of the group. 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 associate's 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 in the associate, 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 its share of the profits 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.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2008

2. Segmental Analysis

In identifying its operating segments, management follows the group's revenue line, which is derived from the principal activity of the manufacture, development and sale of infection control products using the group's chlorine dioxide chemistry and its associated applications.

The accounting segments the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements, with the exceptions of:

- expenses relating to share-based payments, and
- research costs relating to new business activities are not included in arriving at the operating result of the entity's operating segments.

The group currently identifies its revenue line as one operating segment, as described above. The operation is monitored and measured on the basis of the key performance indicators and strategic decisions are made on the basis of the segment's adjusted operating result. This is considered as the measure of the individual segment's profit or loss.

Sale of Infection control products	30 June 2008 £'000	30 June 2007 £'000
Revenue		
From external customers	5,961	5,148
Segment revenues	5,961	5,148
Cost of material	1,950	1,890
Employee benefit expense	1,375	1,065
Depreciation, amortisation and impairment of non financial assets	309	206
Other expenses	1,073	1,987
Segment operating results	1,254	817
Segment assets	5,755	4,676

	30 June 2008 £'000	30 June 2007 £'000
Segment assets		
Total segment assets	5,755	4,676
Group Assets	5,775	4,676

The group's revenues from external customers have been identified from internal reporting systems, and may be summarised as follows.

	30 June 2008 £'000	30 June 2007 £'000
United Kingdom	5,653	4,970
Rest of the World	308	178
Group revenues	5,961	5,148

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

	30 June 2008 £'000	30 June 2007 £'000
Segment results		
Total segment results reported	1,254	817
Unallocated operating income and expenses	(37)	(30)
Group profit before tax	1,217	787

During the year ended 30 June 2008 3.1% of the group's revenues were earned from a single customer (30 June 2007 3.4%).

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

3. Employees and Directors

Group	30 June 2008 £'000	30 June 2007 £'000
Wages and salaries	1,206	955
Social security costs	128	78
Other pension costs	41	32
Share based payments – IFRS 2	37	30
	1,412	1,095

The charge to share based payments in accordance with IFRS 2 arises from transactions accounted for as equity-settled share based payments.

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

	2008 Group	2008 Company	2007 Group	2007 Company
Directors	2	–	2	–
Non-executive directors	3	–	3	–
Sales and marketing	13	–	11	–
Administration	11	–	13	–
Production	10	–	2	–
	39	–	31	–

	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Directors' emoluments	272	–	242	–
Aggregate pension contributions to money purchase schemes	18	–	18	–
Share based payment IFRS 2	6	–	6	–
	296	–	266	–

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	2	–	2	–

Information regarding the highest paid director is as follows:

	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Emoluments	131	–	142	–
Aggregate contributions to money purchase schemes	12	–	12	–
Share based payment IFRS 2	6	–	6	–
	149	–	160	–

Key management compensation	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
Salaries and short-term employee benefits	353	–	269	–
Post-employee benefits	23	–	18	–
Share based payments IFRS 2	9	–	6	–
	385	–	293	–

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.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

4. Exceptional Items
The non-recurring cost relates to an agreement, reached in June 2007, with a company engaged in the United Kingdom endoscopy market, to end an informal arrangement that had operated since 2002. This arrangement had assisted both companies to establish market leading positions in their respective business areas in endoscopy.

The company agreed to make a one off ex-gratia settlement in the amount of £349,280 (together with associated costs) to bring the arrangement to a close. The informal arrangement had previously cost the company £777,802 from the date it commenced to 30 June 2007.

5. Financial Income and Costs

	2008 £'000	2007 £'000
Finance income		
Deposit account interest	4	6
Staff loan interest	2	1
Other interest	2	–
	8	7
Finance costs		
Bank interest	(59)	(1)

6. Profit Before Tax

The profit before tax is stated after charging/(crediting):	2008 £'000	2007 £'000
Cost of inventories recognised as expense	1,950	1,890
Depreciation – owned assets	193	119
(Profit)/loss on disposal of property, plant & equipment	(4)	4
Patents and licences amortisation	60	30
Development costs amortisation	55	57
Auditor's remuneration	61	42
Foreign exchange differences	(1)	2
Operating lease rentals		
– land and buildings	102	38
– vehicles and equipment	17	8
Research costs expensed	38	30

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

	2008 £'000	2007 £'000
Audit services		
– audit of these financial statements	20	9
– audit of financial statements of subsidiaries	29	30
	49	39
Non-audit services		
Taxation services		
– Parent company	3	1
– Subsidiaries	6	2
Other services	3	–
	12	3
	61	42

Due to the reclassification within the company's subsidiary Tristel Technologies Limited of prior year payroll costs of £41,360, and depreciation of property, plant and equipment of £11,728, the gross profit for 2007 is shown in these accounts as £3,258,522, compared to that in the groups published accounts for the year ending 30 June 2007 of £3,205,434.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2008

7. Tax

The taxation charge represents:	2008 £'000	2007 £'000
Current Taxation:-		
Corporation tax	376	189
Adjustment in respect of earlier years	7	(10)
Total current tax	383	179
Deferred tax:-		
Origination and reversal of temporary differences	(215)	57
Deferred tax	(215)	57
Total tax charge in income statement	168	236

Factors affecting the tax charge

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

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	1,217	787
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007-30%)	341	236
Effects of:		
Expenses not deductible for tax purposes	2	4
Temporary differences in capital allowances and depreciation	(194)	3
Different rate tax bands and change in tax rates	18	5
Enhanced relief on qualifying scientific research expenditure	(6)	(2)
Adjustment in respect of prior years	7	(10)
Total tax charge for year	168	236

8. Parent Company Income Statement

As permitted by Section 230 of the Companies Act 1985, 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 £295,476 (2007 – £533,179).

9. Dividends

Amounts recognised as distributions to equity holders in the year:	2008 £'000	2007 £'000
Ordinary shares of 1p each		
Final dividend for the year ended 30 June 2007 of 1p (2006 – 0.725p) per share	245	173
Interim dividend for the year ended 30 June 2008 of 0.385p (2007 – 0.35p) per share	94	83
	339	256
Proposed final dividend for the year ended 30 June 2008 of 1.165p (2007 – 1p) per share	313	244

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.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

10. Earnings Per Share

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

	2008 £'000	2007 £'000
Retained profit for the financial year attributable to equity holders of the parent	1,049	551
	Shares '000 Number	Shares '000 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	25,138	23,973
Effect of dilutive potential ordinary shares		
Share Options	682	355
Purpose of diluted earnings per share	25,820	24,328
Earnings per ordinary share		
Basic	4.17p	2.30p
Diluted	4.06p	2.26p

The calculation of the weighted average number of shares is based on the year ended 30 June 2008 and 30 June 2007. The calculation of diluted earnings per share includes outstanding options on 773,750 ordinary shares at 30 June 2008 (522,500 – 30 June 2007).

11. Goodwill

Group

	2008 £'000
Cost	
At 1 July 2006 and 1 July 2007	774
Additions	5
At 30 June 2008	779
Net book value	
At 30 June 2008	779
At 30 June 2007	774

The acquired goodwill in respect of Tristel Technologies Limited was tested for impairment in accordance with IAS 36 and for this purpose the acquisition was identified as a single cash-generating unit. The value of goodwill as at 30 June 2008 was evaluated by reference to actual performance against forecasted profit and cash flow projections prepared for the CGU in June 2007 for the year to 30 June 2008 and in respect of future profit and cash flow forecasts prepared in June 2008 for the two years ending 30 June 2010. In evaluating the forecast performance in respect of the present value of the forecast cash flows, management adopted a discount rate of 10%. In the opinion of the directors no goodwill impairment was considered necessary, as projections had been exceeded by actual performance.

The carrying amount of goodwill at 30 June 2008 totalling £779,000 (2007 – £774,000) is allocated to the cash-generating unit – Tristel Technologies Limited.

Company
The company has no goodwill to account for.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

12. Intangible Assets

Group	Patents and licences £'000	Development costs £'000	Totals £'000
Cost			
At 1 July 2006	712	484	1,196
Additions	649	114	763
At 30 June 2007	1,361	598	1,959
Additions	83	533	616
Reclassification	211	–	211
At 30 June 2008	1,655	1,131	2,786
Amortisation			
At 1 July 2006	330	47	377
Amortisation for year	30	57	87
At 30 June 2007	360	104	464
Amortisation for year	60	55	115
Reclassification	211	–	211
At 30 June 2008	631	159	790
Net book value			
At 30 June 2008	1,024	972	1,996
At 30 June 2007	1,001	494	1,495

In June 2008, Tristel Technologies Limited ("TTL"), a subsidiary undertaking, entered into a new 20 year supply and distribution agreement with Bio-Cide International Inc. ("BCI"), a company incorporated in the United States of America. As part of the consideration for entering into this new supply and distribution agreement, TTL has paid £75,473 to BCI. This payment which was towards the registration costs of the sodium chlorite/chlorine dioxide group of the European Union Biocide Products Directive, enables TTL to participate and fashion the shape of the biocides industry in Europe. The cost will be amortised over a 10 year period.

The reclassification shown above relates to the reinstatement of assets previously netted off.

Company	Patents and licences £'000	Totals £'000
Cost		
At 1 July 2006	705	705
Additions	649	649
At 30 June 2007	1,354	1,354
Additions	83	83
At 30 June 2008	1,437	1,437
Amortisation		
At 1 July 2006	330	330
Amortisation for year	29	29
At 30 June 2007	359	359
Amortisation for year	59	59
At 30 June 2008	418	418
Net book value		
At 30 June 2008	1,019	1,019
At 30 June 2007	995	995

The company acquired certain manufacturing rights in April 2007. This acquired intellectual property was tested for impairment in accordance with IAS 36, for this purposes the value of intellectual property has been evaluated by reference to increased gross margins that have arisen as a result of cost savings in the manufacturing process through the acquisition of these rights and the benefits of the positive future profit and cash flows arising there from. No amortisation was provided on this asset in the current financial year. In the opinion of the directors, no impairment was considered necessary as the cost savings expected through the acquisition of the manufacturing rights will continue to accrue to the company.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

13. Property, Plant and Equipment

Group	Short leasehold £'000	Improvements to property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
Cost						
At 1 July 2006	7	21	302	72	99	501
Additions	47	154	186	114	44	545
Disposals	(7)	–	–	–	–	(7)
At 30 June 2007	47	175	488	186	143	1,039
Additions	1	151	68	14	131	365
Disposals	(5)	(16)	–	–	(102)	(123)
Reclassification	–	–	86	(86)	–	–
At 30 June 2008	43	310	642	114	172	1,281
Depreciation						
At 1 July 2006	3	7	119	43	17	189
Eliminated on disposal	(3)	–	–	–	–	(3)
Charge for year	1	9	61	21	27	119
At 30 June 2007	1	16	180	64	44	305
Eliminated on disposal	–	(11)	–	–	(50)	(61)
Charge for year	4	22	100	20	47	193
Reclassification	–	–	37	(37)	–	–
At 30 June 2008	5	27	317	47	41	437
Net book value						
At 30 June 2008	38	283	325	67	131	844
At 30 June 2007	46	159	308	122	99	734

The reclassification shown above relates to items previously shown as fixtures and fittings now classed as plant and machinery.

Company

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

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

14. Investments

Group

	Shares in associate £'000
Cost	
At 1 July 2006 and 1 July 2007	–
Additions	17
At 30 June 2008	17
Net book value	
At 30 June 2008	17
At 30 June 2007	–

Company

	Share based payments – IFRS 2 £'000	Shares in associate £'000	Shares in group undertakings £'000	Totals £'000
Cost				
At 1 July 2006 and 1 July 2007	–	–	1,547	1,547
Additions	37	17	5	59
At 30 June 2008	37	17	1,552	1,606
Net book value				
At 30 June 2008	37	17	1,552	1,606
At 30 June 2007	–	–	1,547	1,547

Investments in the company include amounts in relation to options granted over the parent company shares to employees of subsidiaries.

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

Subsidiaries
Tristel Solutions Limited (Incorporated in England and Wales)
Nature of business: Supply of infection control products

Class of shares: Ordinary
Percentage holding: 100%

	2008 £'000	2007 £'000
Aggregate capital and reserves	1,191	737
Profit for the year	417	50

Tristel Technologies Limited (Incorporated in England and Wales)
Nature of business: Supply of water purification products

Class of shares: Ordinary
Percentage holding: 100%

	2008 £'000	2007 £'000
Aggregate capital and reserves	493	301
Profit for the year	192	7

Associated Company
Tristel Italia Srl (Incorporated in Italy)
Nature of business: Supply of infection control products

Class of shares: Ordinary
Percentage holding: 20%

	2008 £'000	2007 £'000
Total assets	67	–
Total liabilities	(80)	–
Aggregate capital and reserves	(13)	–
Loss for the period	(21)	–

The results of Tristel Italia Srl, which commenced trade during the year have not been equity accounted into the financial statements of the group by virtue of their immateriality, and therefore Tristel Italia Srl has been accounted for as if it were an investment.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

15. Inventories

Group	2008 £'000	2007 £'000
Raw materials	419	448
Finished goods	219	40
At 30 June 2008	638	488

Company
The company has no inventories.

16. Trade and Other Receivables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Current				
Trade receivables	971	779	–	–
Amounts owed by group undertakings	62	–	1,036	186
Other receivables	103	100	44	53
Prepayments and accrued income	231	268	6	119
	1,367	1,147	1,086	358

The directors consider that there are no irrecoverable amounts from the sale of goods. This position has been determined by reference to past default experience.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The credit risk on 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.

17. Cash and Cash Equivalents

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash in hand	–	3	–	–
Bank accounts	81	35	64	–
	81	38	64	–

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.

The credit risk on the group's principal financial assets, cash and bank balances and trade and other receivables has been assessed. Credit risk on liquid funds and financial instruments is limited because the holders are banks with high credit ratings assigned by international credit rating agencies.

18. Trade and Other Payables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Current				
Trade payables	516	566	24	57
Amounts owed to group undertakings	–	–	350	188
Social security and other taxes	161	123	–	–
Invoice discounting	–	405	–	–
Accruals and deferred income	281	275	41	10
	958	1,369	415	255

Government grants are included in the accruals and deferred income figure above.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

19. Financial Liabilities – Borrowing

Terms and loan repayment schedule

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Current				
Bank overdraft	5	165	–	15
Other loans	101	100	–	–
	106	265	–	15

	Group		Company	
	2008 1 year or less £'000	2007 1 year or less £'000	2008 1 year or less £'000	2007 1 year or less £'000
Bank overdraft	5	165	–	15
Other loans	46	100	–	–
	51	265	–	15

	Group		Company	
	2008 more than 1 year but less than 2 years £'000	2007 more than 1 year but less than 2 years £'000	2008 more than 1 year but less than 2 years £'000	2007 more than 1 year but less than 2 years £'000
Bank overdraft	–	–	–	–
Other loans	55	–	–	–
	55	–	–	–

Borrowings are arranged at floating rates above bank base rate thus exposing the company to cash flow interest rate risk. The directors consider that the borrowings are shown at their fair values.

20. Financial Instruments

The group has exposure to the following risks from its use of financial instruments

- credit risk
- market risk
- interest rate risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's 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.

Credit risk
Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investment securities.

Trade and other receivables
The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Market risk
Market risk is the risk that changes in market prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk
Interest rate risk is the risk the group faces that changes in short term deposit rates will adversely affect the coupon the group earns on its short term deposits. The group places surplus working capital funds with AA rated financial institutions and seeks to maximize the returns on short term deposits by using fixed rate interest rate deposits wherever possible.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

20. Financial Instruments continued

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors both the demographic spread of shareholders, as well as the return on capital and the level of dividends to ordinary shareholders.

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.

Financial assets and liabilities
The group's activities are financed by cash at bank.

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	
	2008 £'000	**2007** £'000	**2008** £'000	**2007** £'000
Cash and cash equivalents	77	(128)	64	(15)
Trade and other receivables excluding repayments	1,077	879	1,080	120
Trade investments	1,569	1,547	1,569	1,547
	2,723	2,298	2,713	1,652

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

	Group carrying amount		Company carrying amount	
	2008 £'000	**2007** £'000	**2008** £'000	**2007** £'000
United Kingdom	1,010	837	1,080	120
Europe	56	26	–	–
Rest of World	11	16	–	–
	1,077	879	1,080	120

All of the group's and the company's trade and other receivables have been reviewed for indicators of impairment. No receivables were considered to be impaired.

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

Of the group 31-120 days + balance, 69% of the £134,000 has been paid since year end. The remaining balances are considered fully recoverable.

	Group		Company	
	2008 £'000	**2007** £'000	**2008** £'000	**2007** £'000
Not past due	754	575	1,080	120
Past due 0-30 days	189	206	–	–
Past due 31-120 days	87	94	–	–
Past due 120 days +	47	4	–	–
	1,077	879	1,080	120

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
30 June 2008				
Non-derivative financial liabilities				
Trade and other payables	958	958	958	–
Borrowings – Other loans	101	101	22	79
	1,059	1,059	980	79
30 June 2007				
Non-derivative financial liabilities				
Trade and other payables	1,369	1,369	1,369	–
Borrowings – Other loans	100	100	100	–
	1,469	1,469	1,469	–

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2008

20. Financial Instruments continued

Company	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000
30 June 2008				
Non-derivative financial liabilities				
Trade and other payables	415	415	415	–
30 June 2007				
Non-derivative financial liabilities				
Trade and other payables	255	255	255	–

The carrying amounts of the group's financial assets and liabilities as at 30 June 2008 may also be categorised as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Non current assets				
Trade investments	17	–	1,606	1,547
Current assets				
Cash and equivalents	81	38	64	–
Trade and other receivables	1,305	1,147	1,086	358
	1,386	1,185	1,150	358
All of the above relate to the IAS 39 category "loans and receivables"				
Current liabilities				
Interest bearing loans and borrowings	46	100	–	–
Trade and other payables	958	1,369	415	255
Bank overdrafts	5	165	–	15
	1,009	1,634	415	270
Non current liabilities				
Interest bearing loans and borrowings	55	–	–	–

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.

Interest rate risk
The group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

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 2008 the average interest rate earned on the temporary closing balances was 3.04% (2007: nil%).

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	2008 £'000	2007 £'000
Amounts repayable under non-cancellable operating leases fall due:		
Within one year	130	92
Between one and five years	331	389
In more than five years	1	393
	462	874

Company
The company has no lease agreements.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

22. Deferred Tax

Group	2008 £'000	2007 £'000
Balance at 1 July	(182)	(125)
Charged to income statement for the year	215	(57)
Blance at 30 June	33	182

Company	2008 £'000	2007 £'000
Balance at 1 July	(37)	(23)
Charged to income statement for the year	67	(14)
Blance at 30 June	30	(37)

Group
Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:	Accelerated tax depreciation £'000	Other £'000	Total £'000
Balance at 1 July 2006	131	19	150
Charged to income statement for the year	51	–	51
Balance at 30 June 2007	182	19	201
Charged to income statement for the year	(194)	(7)	(201)
Balance at 30 June 2008	(12)	12	–

Group
Recognised deferred tax assets

Deferred tax liabilities are attributable to the following:	Tax losses £'000	Other £'000	Total £'000
Balance at 1 July 2006	–	25	25
Charged to income statement for the year	–	(6)	(6)
Balance at 30 June 2007	–	19	19
Charged to income statement for the year	–	14	14
Balance at 30 June 2008	–	33	33

Group

Net deferred tax liability	£'000
Balance at 30 June 2007	(182)
Balance at 30 June 2008	33

On 21 March 2007, the Chancellor announced that with effect from 1 April 2008 the standard rate of UK corporation tax will reduce from 30% to 28%. This change has now been substantively enacted. Based on the reduced rate of corporation tax the group deferred tax liability at 30 June 2008 has been recognised at 28% as it expected that this will be the rate applicable on reversal of the temporary differences.

23. Called Up Share Capital

Authorised	Number	Class	Nominal value	£
30 June 2007 and 30 June 2008	60,000,000	Ordinary	1p	600,000

Allotted, issued and fully paid	Number	Class	Nominal value	£
1 July 2006	23,836,820	Ordinary	1p	238,368
Issued during year	606,060	Ordinary	1p	6,061
30 June 2007	24,442,880			244,429
Issued during the year	2,440,000	Ordinary	1p	24,440
30 June 2008	26,882,880			268,829

The following fully paid shares were allotted during the year at a premium as shown below:

2,440,000 1p ordinary shares were issued at £0.41 per share, the market price at the date of allotment. The proceeds, after deduction of associated costs, amounted to £937,866, resulting in a credit to the Share premium account of £913,426. The shares were issued to assist the group with its continuing product development programme and for working capital purposes.

Notes to the Consolidated Financial Statements continued

for the year ended 30 June 2008

23. Called Up Share Captial continued

Share based payments

During the year ended 30 June 2008 the group and the company had five share based payment arrangements, which are described 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
Date of grant	23/12/05	23/12/05	09/02/06	25/05/07	30/11/07
Share price at grant date	45p	45p	45p	62.5p	53p
Exercise price	59.5p	53.75p	53.75p	53.75p	53.75p
Number of employees	1	8	2	2	3
Number of shares under option	250,000	610,000	45,000	120,000	140,000
Vesting period					
(from date of grant)	25% on grant 25% in 12 months 25% in 24 months 25% in 36 months	25% on grant 25% in 12 months 25% in 24 months 25% in 36 months	25% on grant 25% in 12 months 25% in 24 months 25% in 36 months	25% on grant 25% in 12 months 25% in 24 months 25% in 36 months	25% on grant 25% in 12 months 25% in 24 months 25% in 36 months
Contractual life of option	10 years	10 years	10 years	10 years	10 years
Expected volatility	20%	20%	20%	27%	27%
Expected average life from vesting	3 years	3 years	3 years	3 years	3 years
Risk free rate	4.6%	4.6%	4.6%	5%	5%
Expected dividend yield	2.2%	2.2%	2.2%	2.4%	2.5%
Possibility of ceasing employment					
before vesting	–	25%	50%	50%	33%
Fair value per option:					
25% on vesting	0.027p	0.040p	0.040p	0.166p	0.096p
25% in 12 months	0.034p	0.051p	0.051p	0.181p	0.110p
25% in 24 months	0.047p	0.061p	0.061p	0.194p	0.121p
25% in 36 months	0.054p	0.070p	0.070p	0.204p	0.130p

The expected volatility is based on historical volatility over the past two years (taking account of the short dividend history). 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 prior periods if share options ultimately exercised are different to that on vesting.

A reconciliation of option movements over the year to 30 June 2008 is shown below:

	2008		2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July 2007	1,165,000	54.98p	925,000	55.30p
Granted	140,000	53.75p	240,000	53.75p
Forfeited	140,000	53.75p	–	–
Outstanding at 30 June 2008	1,165,000	54.96p	1,165,000	54.98p
Exercisable at 30 June 2008	773,750	55.15p	522,500	55.13p

In the opinion of the directors the total charge to date relating to employee share based payment plans, in accordance with IFRS 2, was £37,440 (2007- £29,941) all of which related to equity-settled share based payment transactions.

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 company, royalties of £227,061 (2007 £170,275) were paid during the year to Bruce Green Limited, a company owned by Mr Green. At 30 June 2008 the group owed Mr Green £47,211 (2007 £35,900).

Transactions between the group and Tom Allsworth

Under the terms of a supply agreement between the group and Medichem Ltd, a private company incorporated in England and Wales, in which Mr Tom Allsworth, a shareholder in the company, is a director and shareholder, monies totalling £62,954 (2007 £479,466) were paid during the year.

Transactions between the group and Francisco Soler

On 20 June 2007 the group received a short term loan of £100,000 from World Financial Trading Corporation, repayable by 20 September 2007 and therefore outstanding at 30 June 2007. The director and shareholder of this company Mr. Francisco Soler is a director of World Financial Trading Corporation, a member of the Financial Industry Regulatory Authority (FINRA) in the United States.

Transactions between the group and Peter Clarke

Under the terms of a supply agreement between the group and Carolon Europe Limited, a private company incorporated in England and Wales, in which Mr Peter Clarke, a director and shareholder in the company, is a director and shareholder, monies totalling £11,667 (2007 £nil) were paid during the year.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2008

24. Related Party Disclosures continued

Transactions between the parent and subsidiary companies

During the year the company charged its subsidiary companies, Tristel Solutions Limited and Tristel Technologies Limited £450,000 and £50,000 respectively, in respect of management fees. (2007 £460,000 and £400,000 respectively).

As at the year end the company was owed £774,107 (2007 £186,358) by its subsidiary company Tristel Solutions Limited, in respect of intra-group transactions, consisting of management fees receivable and recharged costs.

Also as at the year end the company owed £349,609 (2007 £187,941) to its subsidiary company Tristel Technologies Limited, in respect of intra-group transactions, consisting of management fees receivable and recharged costs.

Transactions between the parent and associate companies

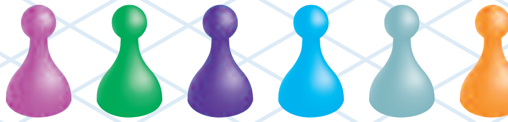
During the year the group charged its associate company Tristel Italia srl £3,488 (2007 £nil) in respect of finished goods.

At the year end the company was owed £61,867 (2007 £nil) by its associate Tristel Italia srl in respect of intra-group transactions, consisting of cash advances and recharged costs.

Transactions with directors

Paul Swinney, a director of the company, was granted options over 250,000 of the company's 1p ordinary shares; this option was granted a price of 59.5p. Following an initial release of 25% of the total option grant, these options are released evenly over a three-year period from the date of grant (22 December 2005) and once exercisable are exercisable at any time up to 22 December 2015.

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



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